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ABSTRACT

This package of training materials is intended for financial aid administrators at institutions of higher education participating in a workshop series providing training in the delivery system of federal student financial aid under Title IV of the Higher Education Act. The workshop involves seven sessions over a 2-day period and focuses on priorities and initiatives in the management of Title IV programs of the Department of Education for the 1995-96 year. The workshop describes the Department's role in overseeing a school's management of Title IV programs, explains the impact of new cash management rules on Title IV programs, provides information and tools for complying with new Title IV program requirements, and identifies important common features in administering the Direct Loan and Federal Family Education Loan programs. The individual sessions address the following topics: (1) introduction and overview of 1995-96 Title IV delivery system; (2) changes in eligibility and other administrative requirements; (3) calculation of Federal Pell Grant awards; (4) campus-based program issues; (5) Student Loan Program management; (6) refund and repayment; and (7) Federal update. Worksheets, examples, charts, and sample forms are provided throughout the manual. (DB)

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Trainee Guide

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1995-96
Delivery System Training Workshop

U.S. Department of Education • Student Financial Assistance Programs

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OVERALL OBJECTIVES

Information presented during this training will:

1. Outline the Department of Education's priorities in the management of the Title IV programs for the 95-96 award year;

2. Describe the Department of Education's role in overseeing schools' management of the Title IV programs;

3. Explain the impact the new cash management rules will have on all Title IV programs.

4. Provide information and tools for complying with new Title IV program requirements; and

5. Promote understanding of important common features in administering the Direct Loan and Federal Family Education Loan (FFEL) programs.

SESSION #1

Introduction and Overview of the 1995-96 Title IV Delivery System Training

Session Objectives

- Trainees will be able to:
  1. State the overall objectives of this workshop series;
  2. Describe ED priorities for 95-96; and
  3. Describe new initiatives for the expansion and improvement of ED's required oversight of schools participating in the Title IV programs.

Sources for Further Study

- Federal Student Financial Aid Handbook★
- The Higher Education Act (HEA) of 1965, as amended★
- Federal Regulations, 34 CFR Parts 600, 602, 667, 668, 674, 675, 676, 682, 685, and 690★
- Federal Register, November 29, 1994 (Student Assistance General Provisions, Subparts A and B)
- Federal Register, April 29, 1994 (State Postsecondary Review Program)
- Federal Register, April 29, 1994 (Procedures and Criteria for Recognition of Accrediting Agencies)
- Federal Register, April 29, 1994 (Student Assistance General Provisions; financial and compliance audit requirements)

★ Indicates major reference sources that are applicable to sessions conducted in this workshop.

TARGET AUDIENCE

This workshop series is designed primarily for financial aid administrators with one or more years of experience. Appendix A lists additional information resources for those who are very new to financial aid.

WORKSHOP AGENDA

Day One 9:00 A.M. - 5:00 P.M.

Session 1: Introduction and Overview of the 1995-96 Title IV Delivery System Training

Session 2: Changes In Eligibility and Other Administrative Requirements

Session 3: Calculation of Federal Pell Grant Awards

Session 4: Campus-Based Program Issues

Day Two 9:00 A.M. - 5:00 P.M.

Session 5: Student Loan Program Management

Session 6: Refund and Repayment

Session 7: Federal Update

In addition to this Delivery System training, the Department of Education (ED) initiated a videoconference training series in October of 1994. As of the time that the Delivery System training materials were written, ED had conducted the following videoconferences:

1. 1995-96 FAFSA and SAR, broadcast on October 21, 1994;
2. Direct Loan Repayment and Consolidation, broadcast on November 3, 1994; and
3. Getting Started with EDExpress, broadcast on November 14, 1994.

Copies of the trainee handouts and videotapes from these conferences can be obtained by calling 1-800-4-FED-AID.

The chart that begins on the next page also lists information sources for Title IV Delivery System topics not covered in this training.

INFORMATION SOURCES FOR DELIVERY SYSTEM TOPICS NOT COVERED BY THIS TRAINING

Title IV Application Process	
✦ Application requirements	• *The Counselor's Handbook* • 1995-96 Action Letters
✦ Calculation of the EFC	• *The Counselor's Handbook* • Part F of the Higher Education Act
✦ ED database matches and hold files	• *The 1995-96 SAR Guide* • *Federal Student Financial Aid Handbook,* Chapter 2
✦ Updating and corrections requirements	• *The Counselor's Handbook* • *The Verification Guide* • Federal Regulations 34 CFR Part 668
✦ Verification requirements	• *The Verification Guide* • Federal Regulations 34 CFR Part 668
✦ Use of professional judgment authority	• *The Counselor's Handbook* • *The Verification Guide*
✦ Calculation of the cost of attendance	• *The Counselor's Handbook* • *Federal Student Financial Aid Handbook,* Chapter 2
✦ Determining estimated financial assistance	• *Federal Student Financial Aid Handbook,* Chapter 2
✦ Title IV packaging requirements	• *Federal Student Financial Aid Handbook,* Chapters 2, 5, 6, 7, and 8 • Federal Regulations 34 CFR Parts 674, 675, and 676
✦ Title IV overawards	• *Federal Student Financial Aid Handbook,* Chapters 2, 5, 6, 7, 8, and 10 • Federal Regulations 34 CFR Parts 674, 675, 676, 682, and 685
Title IV Student Eligibility Requirements	
✦ All Title IV Programs:	• *Federal Student Financial Aid Handbook,* Chapter 2 • Federal Regulations 34 CFR Part 668 • Part G of the Higher Education Act

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Title IV Student Eligibility Requirements (cont'd.)

✦ Federal Pell Grant Program	• *Federal Student Financial Aid Handbook,* Chapter 4 • Federal Regulations 34 CFR Part 690 • Part A of the Higher Education Act
✦ Federal SEOG Program	• *Federal Student Financial Aid Handbook,* Chapters 5 and 8 • Federal Regulations 34 CFR Part 676 • Part A of the Higher Education Act
✦ Federal Perkins Loan Program	• *Federal Student Financial Aid Handbook,* Chapters 5 and 6 • Federal Regulations 34 CFR Part 674 • Part E of the Higher Education Act
✦ Federal Work-Study Program	• *Federal Student Financial Aid Handbook,* Chapters 5 and 7 • Federal Regulations 34 CFR Part 675 • Part C of the Higher Education Act
✦ Federal Family Education Loan Programs	• *Federal Student Financial Aid Handbook,* Chapter 10 • Federal Regulations 34 CFR Part 682 • Part B of the Higher Education Act
✦ Federal Direct Loan Program	• Federal Regulations 34 CFR Part 685 • Part D of the Higher Education Act

Selected Title IV Program Requirements

Federal Pell Grant Program	
✦ Disbursement requirements	• *Federal Student Financial Aid Handbook,* Chapter 4 • Federal Regulations 34 CFR Part 690
Federal SEOG Program	
✦ Disbursement requirements	• *Federal Student Financial Aid Handbook,* Chapter 8 • Federal Regulations 34 CFR Part 676
Federal Perkins Loan Program	
✦ Counseling requirements	• *Federal Student Financial Aid Handbook,* Chapter 6 • Federal Regulations 34 CFR Part 674
✦ Due diligence and collection requirements	• *Federal Student Financial Aid Handbook,* Chapter 6 • Federal Regulations 34 CFR Part 674

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Selected Title IV Program Requirements (cont'd.)

Federal Work-Study Program	
✦ Eligible employment	• *Federal Student Financial Aid Handbook,* Chapter 7 • Federal Regulations 34 CFR Part 675
✦ Payment of wages	• *Federal Student Financial Aid Handbook,* Chapter 7 • Federal Regulations 34 CFR Part 675
Federal Family Education Loan Programs	
✦ Application requirements	• *Federal Student Financial Aid Handbook,* Chapter 10 • Federal Regulations 34 CFR Part 682
✦ Default reduction requirements	• *Federal Student Financial Aid Handbook,* Chapter 10 • Federal Regulations 34 CFR Part 682
Federal Direct Loan Program	
✦ Application requirements	• *Direct Loan School Guide* • Federal Regulations 34 CFR Part 685

Selected Title IV Administrative Requirements

✦ Title IV certification and recertification of schools	• *Federal Student Financial Aid Handbook,* Chapter 3 • Federal Regulations 34 CFR Part 668
✦ Title IV Program Participation Agreement	• *Federal Student Financial Aid Handbook,* Chapter 3 • Federal Regulations 34 CFR Part 668
✦ Financial Aid Transcript requirements	• *Federal Student Financial Aid Handbook,* Chapter 3 • Federal Regulations 34 CFR Part 668
✦ Disclosure of student information	• *Federal Student Financial Aid Handbook,* Chapter 3 • Federal Regulations 34 CFR Part 99
✦ Drug and alcohol abuse prevention requirements	• *Federal Student Financial Aid Handbook,* Chapter 3 • Federal Regulations 34 CFR Part 86
✦ Record-keeping requirements	• *Federal Student Financial Aid Handbook,* Chapters 3, 4, 5, and 10 • Federal Regulations 34 CFR Parts 668, 674, 675, 676, 682, 685, and 690

TRAINEE GUIDE

The Trainee Guide is a learning tool for this workshop series. It summarizes the instructor's presentation and provides space for notetaking. At the beginning of each session is a list of objectives and references for further study. Charts, sample forms, and case studies are included to illustrate certain concepts.

ED OVERSIGHT OF SCHOOLS PARTICIPATING IN THE TITLE IV PROGRAMS

In order to increase public confidence in the student aid programs, the law expanded ED's oversight of the Title IV programs. This expansion includes:

1. New ED requirements for reviewing and evaluating schools participating in the Title IV programs;

2. New initiatives, such as the Institutional Quality Assurance Program, for working with schools to strengthen their management of the Title IV programs; and

3. Increased gatekeeping responsibilities that are shared with states and nationally recognized accrediting agencies, as members of the program integrity triad.

This triad is responsible for ensuring that only schools providing quality educational programs and training have access to the Title IV programs. The Higher Education Amendments of 1992 provide the framework for the triad's evaluation of schools that participate, or wish to participate, in the Title IV programs.

1. Accrediting agencies focus primarily on the quality of a school's educational programs;

2. States, through their designated State Postsecondary Review Entity (SPRE), focus primarily on the protection of students as

the consumers of a school's educational programs and services; and

3. The Department focuses on a school's administrative and financial capabilities for administering the Title IV programs.

Role of Accrediting Agencies in Evaluating Schools

Only schools that are accredited by a nationally recognized accrediting agency may participate in the Title IV programs. ED is responsible for ensuring that these accrediting agencies are reliable authorities on the quality of education or training provided by the schools that they accredit.

In order to receive ED's recognition, an accrediting agency must establish certain standards by which it assesses a school's educational programs before granting accreditation. These minimum standards are listed in the chart on the following page. An accrediting agency may establish additional standards.

NATIONALLY RECOGNIZED ACCREDITING AGENCY STANDARDS

Areas that a nationally recognized accrediting agency's standards must assess when determining the quality of a school's educational programs and training:

- Curricula
- Faculty
- Facilities, equipment, and supplies
- Financial and administrative capability
- Student support services
- Recruiting and admissions practices, academic calendars, catalogs, publications, grading, and advertising
- Program length and tuition and fee structure in relation to the school's courses and program objectives
- Program length in relation to the number of clock hours or credit hours required
- Success with respect to student achievement in relation to the school's mission, including the school's completion, state licensing examination pass, and job placement rates
- Default rates under the Title IV programs
- Record of student complaints
- Compliance with Title IV program responsibilities

Role of State Postsecondary Review Entities in Evaluating Schools

State Postsecondary Review Entities (SPREs) are responsible for coordinating and conducting the review of schools referred by ED to determine whether the schools should continue to participate in the Title IV programs.

ED may refer a school to the SPRE, or the SPRE may request ED to refer the school for review.

ED Selection and Referral of Schools to SPREs

ED will refer a school for review by its SPRE if the school meets one or more of the criteria listed in the chart on the following page.

ED Criteria for Referring Schools to SPREs

If a school meets one or more of the ED review criteria, then the school will be referred to the SPRE for review:

- A cohort default rate equal to or greater than 25%
- A cohort default rate equal to or greater than 20% **and**
  - More than 2/3 of the school's undergraduates enrolled at least 1/2-time receive Title IV aid*; or
  - At least 2/3 of the school's expenditures are derived from Title IV funds*
- At least 2/3 of the school's expenditures are derived from Federal Pell Grant funds
- A limitation, suspension, or termination action was initiated by ED against the school within the last 5 years
- The school was required to repay at least 5% of the Title IV program funds it received for any 1 award year as a result of an audit finding during 2 of its most recent audits
- The school was cited by ED for failure to submit audits by the established deadlines
- An annual fluctuation of more than 25% in the dollar volume of the school's Federal Pell Grant or Federal Stafford Loan or Federal SLS that was not the result of a change in the programs
- The school's failure to meet the financial responsibility standards in Subpart B of the Student Assistance General Provisions
- Except for schools affiliated with a state system of higher education, a change in the school's ownership that resulted in a change of control
- The school has participated for less than 5 years in the Federal Pell Grant Program, the Federal Family Education Loan (FFEL) Programs, or any of the campus-based programs
  - Excludes any public institution affiliated with a state system of higher education
- A pattern of complaints from students against the school related to:
  - The school's management or conduct of the Title IV programs; or
  - Misleading or inappropriate advertising and promotion of the school's programs

* For purposes of this referral criterion, Title IV aid does not include any assistance received under the SSIG, NEISP, or Federal PLUS programs.

ED's referral decision will be based on the most recent information available about the school. Before referring a school, ED will notify the school:

1. That it may be referred to a SPRE for review; and

2. The reason(s) for ED's possible referral.

The school may challenge its selection if the school:

1. Can document that ED's referral decision was based on inaccurate information;

2. Informs ED of its intent to challenge the referral within seven days of the date of ED's notification; and

3. Submits all documentation within 30 days of receiving ED's notification.

If the school's selection was based on a Federal Family Education Loan (FFEL) Programs cohort default rate, and the school believes the default rate was based on incorrect loan data, the school also must:

1. Notify ED that it is appealing its cohort default rate calculation; and

2. File that appeal within the established time frame.

ED will refer the school to its SPRE for review if the school:

1. Does not challenge its selection;

2. Fails to submit:

    a. An intent to challenge within seven days; or

    b. Documentation to support its challenge within 30 days of receiving ED's notification; or

3. Is unable to satisfactorily document that its selection was based on inaccurate information.

ED's selection of a school for referral to the SPRE applies to all of the school's branch campuses and locations. A branch campus or location will be reviewed by the SPRE in the state in which it is located. The SPRE may choose not to review the school's branch campus or location if:

1. It did not receive a sufficient federal allocation to review all referred schools; and

2. The SPRE review of the main campus did not result in any significant findings against the school.

All required SPRE activities are funded by a federal allocation made to the state. If a state's federal allocation is not sufficient to cover all of the required SPRE activities, the SPRE may conduct its review of referred schools according to its priority system. A referred school may be assigned the lowest review priority if:

1. ED's referral of the school was based on:

    a. The school's late submission of an audit; or

    b. A change in the school's ownership; and

2. A previous review by the SPRE as a result of a referral for the same reason found no significant violation of the state's review standards.

Each year the SPRE must disclose information regarding its priority review system to all of the schools in the state.

SPRE Selection of Schools for Review

A SPRE may select a school that was not referred for review by ED, if the SPRE has:

1. More current information indicating that the school meets ED's selection criteria; or
2. Reason to believe that the school is engaged in fraudulent practices.

In order to review a school not referred by ED, the SPRE first must obtain ED's approval. If ED does not respond within 21 days to the SPRE's request, the SPRE may take the steps required for initiating a review of the school. That is, the SPRE must:

1. Notify the school of its selection for review; and
2. Provide the school with an opportunity to challenge the SPRE's selection of the school.

The requirements governing a school's challenge of its selection by the SPRE for review are similar to those that apply to ED's selection of the school.

SPRE Review of Schools

The SPRE has sole discretion in arranging for the review of the school. The SPRE may conduct an unannounced review in cases of suspected fraud.

In conducting its review, the SPRE must base its evaluation of the school on state review standards which:

1. Were developed by the SPRE in consultation with the schools in the state; and

2. Address certain areas of the school's operations and practices.

The chart on the following page lists the areas that a SPRE's review standards must address.

STATE REVIEW STANDARDS

(The state develops the standards in consultation with the schools in the state)

- The school makes available to current and prospective students accurate student consumerism information, such as its cataloges, admission requirements, course outlines, tuition and fees schedules, refund policy, course cancellation policy, rules and regulations, and enrollment agreement, if appropriate.
- The school accurately describes its courses and educational programs.
- The school has a method to assess a student's ability to successfully complete the course of study for which the student has applied.
- The school maintains and enforces academic progress standards.
- The school maintains adequate student and other records.
- The school complies with health and safety standards.
- The school has the appropriate financial and administrative capacity, and maintains adequate financial and other information necessary to determine the school's financial and administrative capacity.
- If financially at risk, the school has adequate provisions for the instruction of its students and the availability of its academic and financial records in the event the school closes.
- If the school offers a vocational program:
  - The cost of the program is not excessive when compared to the salary a graduate may reasonably be expected to earn; and
  - The program provides the student with quality training that leads to useful employment in recognized occupations in the state.
- The school makes available to students in its vocational/professional programs relevant information on job opportunities and state licensure requirements.
- The number of credit or clock hours needed to complete a program is appropriate.
- The length of any 600-hour program is appropriate.
- There is no evidence of actions by any owner, shareholder, or person exercising control over the school that may adversely affect the school's Title IV eligibility.
- The school has adequate procedures for investigating and resolving student complaints.
- The school uses appropriate advertising, promotion, and recruiting practices.
- The school has a fair and equitable refund policy.
- The school's programs demonstrate success, as indicated by:
  - The school's completion, graduation, placement, and withdrawal rates;
  - Students' pass rates on state licensing exams; and
  - Student completion goals, which include transferring to another school, employment in their field of study, or military service.

NOTE: The following is the Peer Review Requirement

- The quality and content of the school's courses or programs meet the courses' or programs' stated objectives as determined by the school's approved accrediting agency or association or other peer review system.

If, prior to the time of its referral for SPRE review, the school was not required to keep certain records related to its compliance with the state review standards, the school must be given a reasonable amount of time to obtain information demonstrating its compliance.

Within 45 days of completing its review, the SPRE must provide the school with an initial report of its findings. If the SPRE has identified any school violations of the state review standards, the initial report will:

1. Provide detailed information regarding each violation; and
2. Prescribe a course of action the school must follow to correct the violation(s), including any deadline for correcting the violation(s).

After evaluating the school's responses or actions pursuant to the SPRE's findings, or if the school did not respond or take action as a result of those findings, the SPRE may recommend terminating the school's participation in the Title IV programs. If the SPRE plans to recommend terminating the school's participation in the Title IV programs, the school must be given an opportunity to contest the SPRE's findings. Although due process is offered only on the state level, ED must approve the state's due process procedures.

After the school has presented its challenge, the SPRE must notify the school in writing of the results of its challenge and the basis for the SPRE's decision.

A SPRE may take action to terminate a school's participation in the Title IV programs if:

1. The school does not permit the SPRE to conduct the review, or does not provide documentation needed to conduct the review;
2. The school fails to comply with the SPRE's instructions for bringing itself into compliance with the state review standards; or

3. The SPRE still concludes, after the school's challenge, that the school should no longer participate in the Title IV programs.

Upon the SPRE's notification that the school should no longer participate in a Title IV program, ED will immediately terminate the school's participation in the Title IV program. The school may not reapply to participate until 18 months after the date it was terminated.

ED's Role in Evaluating Schools

Program Review Procedures

The Institutional Participation and Oversight Service has made significant changes to the procedures and practices used in conducting on-site reviews of participating institutions. These changes allow ED to:

1. Focus resources on problem areas;

2. Take swift action to protect the integrity of the Title IV student aid programs; and

3. Expedite on-site visits and closure of reviews when no significant problems are found.

Reviewers conduct two types of on-site reviews:

1. Survey reviews; and

2. Concentrated team reviews.

A **survey review** is an examination of the school's Title IV policies, procedures, and records to assess the school's compliance with regulations and statutes in specific areas which ED considers to have a high potential for error or abuse. The reviewer may determine:

1. There are no violations at the school.

2. The school's violations are solely of a technical nature, requiring minimal repayment of liabilities, and some sharpening of policies and procedures. In this case, the school has the option of an **Expedited Determination** which allows:

    a. A speedy closure of a minor deficiency review upon agreement and documentation that the school has taken the specified corrective action; and

    b. The school to retain its appeal rights.

3. That although minor violations may be evident, there are no significant violations at the school.

    a. The program review report will require the school to institute corrective action and to repay any applicable liabilities and fines.

    b. The school will be required to provide in a timely manner the results of the work it was required to do.

4. There are significant violations, potential for loss to the government or harm to students, or fraud and abuse. In these instances, a concentrated team review would be initiated.

A **concentrated team review** is an intensive analysis of the school's administration of the Title IV programs by reviewers with specific knowledge or skills. A concentrated team review may be based on:

1. Significant problems discovered during a survey review; or

2. Other information available to ED.

Generally, on-site reviews of schools will be **unannounced**. Participating schools must be in compliance with all applicable regulations and statutes at all times.

ED has added new staff to each of the ED regional offices and headquarters, including a Statistical Sampling Unit, a Systems Support Staff, and a Quality Assurance team. ED also is utilizing technology and specially designed procedures and reference materials to ensure efficiency in conducting reviews. ED expects to review 1,000 participating institutions in the coming year.

Financial and Compliance Audit Requirements

Any school that participates in the Title IV programs must submit audited financial statements each year to ED. The school's financial statements must:

1. Be prepared according to generally accepted accounting principles; and

2. Be audited by an independent certified public accountant in accordance with generally accepted government auditing standards.

The school's audited financial statement must be submitted within four months of the close of the school's fiscal year. This four-month deadline applies to any fiscal year that ends on or after March 1, 1994.

However, if a school falls under the provisions of the Single Audit Act, Office of Management and Budget (OMB) Circular A-128 (State and Local Governments), or OMB Circular A-133 (Institutions of Higher Education and other nonprofit institutions), the school follows the submission requirements contained in the *March 1990 Audit Guide* and the Office of the Inspector General's *Non-Federal Technical Bulletin 92-1*. The school should follow the requirements in these publications until the new audit guide is issued by ED.

A school that participates in any of the Title IV programs also must have performed annually a compliance audit of the school's Title IV programs that is:

1. Conducted by an independent auditor in accordance with the general standards and the standards for compliance audits in the U.S. General Accounting Office's (GAO's) Government Auditing Standards; and

2. Until the new audit guide is issued by ED, submitted in accordance with the *March 1990 Audit Guide* and the *Non-Federal Technical Bulletin 92-1.*

The school's annual compliance audit report for the 1993-94 award year must be submitted to ED:

1. By March 31, 1995 if the school does not participate in any campus-based program; or

2. By June 30, 1995 if the school participates in any campus-based program.

Beginning with the 1994-95 award year, a school's compliance audit must be submitted to ED within six months of the end of the school's fiscal year unless the school is subject to the provisions of the Single Audit Act, OMB Circular A-128, or OMB Circular A-133. In these situations, until the new audit guide is issued by ED, the school follows the submission requirements contained in the *March 1990 Audit Guide* and the Office of the Inspector General's *Non-Federal Technical Bulletin 92-1.*

The chart on the following page illustrates how to apply the six-month deadline for the submission of the annual compliance audit report for schools not subject to the provisions of the Single Audit Act, OMB Circular A-128, or OMB Circular A-133.

EXAMPLES OF COMPLIANCE AUDIT REPORT DEADLINES*

Effective for the 1994-95 award year and beyond

If school's fiscal year ends on:	*Compliance Audit Report is due on:*	*For Award Year*
June 30, 1995	December 31, 1995	94-95
September 30, 1995	March 31, 1996	94-95
December 31, 1995	June 30, 1996	94-95
May 31, 1996	November 30, 1996	94-95
June 30, 1996	December 31, 1996	95-96

* Financial aid compliance audits are due within four months of the end of a school's fiscal year unless the school is subject to the provisions of : 1. Single Audit Act; 2. OMB Circular A-128; or 3. OMB Circular A-133.

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Institutional Quality Assurance Program

The Institutional Quality Assurance (IQA) Program is a successful model of an alternative oversight strategy that focuses on results.

Schools participating in the IQA Program:

1. Develop their own procedures for achieving award accuracy;
2. Measure the effectiveness of their systems and design; and
3. Target corrective actions.

Because the focus of the IQA Program is on outcomes, the program:

1. Uses up-front prevention and seeks improvement to avoid penalties;
2. Employs a measurement process focused on outcomes and data on which to base improvement activities;
3. Empowers schools to manage and meet their mission; and
4. Establishes a more productive partnership between ED and schools, thus serving students and taxpayers better.

Schools that participate in the IQA Program conduct three quality activities:

1. Management assessment of office policies and procedures;
2. Annual measurement of award accuracy; and
3. Corrective actions to address weaknesses from the other two activities.

Participating schools also receive the tools and techniques to problem solve, analyze, and correct or enhance their entire financial aid operation. Using data from the Annual Measurement, a school may design and implement its own institutional verification program so that the school can identify areas that need improvement.

Benefits of participating in the IQA Program include:

1. Improved accuracy of student awards;
2. Increased flexibility in managing the Title IV programs;
3. The ability to focus more on problem areas at the school; and
4. Quality service to students.

During the next three years ED plans to expand the IQA Program by:

1. Increasing the number of participating schools; and
2. Broadening the program's scope to include other institutional areas that deal with the financial aid process.

ED is also exploring additional areas where regulatory relief or waivers may be appropriate for "experimental sites."

To be selected by ED to participate in the IQA Program, a school must:

1. Participate in:
    a. The Federal Pell Grant (Pell) Program;
    b. At least one campus-based program (i.e., the Federal SEOG Program, the Federal Perkins Loan Program, or the Federal Work-Study Program); and

c. Either the Direct Loan Program or the Federal Family Education Loan (FFEL) Program;

2. Demonstrate that it is administratively capable and financially responsible; and

3. Be committed to the "core values" of IQAP.

INFORMATION RESOURCES

Introduction

Financial aid administrators must make every effort to ensure correct administration of the federal student aid programs. This task can be made easier in the following ways:

- Maintain an up-to-date student aid reference library. Such a library should include ED's major publications, as well as useful non-ED publications.
- Stay up-to-date on program information, policies, regulations, and the law. It is the responsibility of the aid administrator to stay abreast of changes and share information with all offices in the school that may be affected.
- Check on any questionable or unclear information. Asking a question or two before acting can save time and prevent liabilities.

ED Resource Materials

The following is a list of ED resource publications.

- *The Student Guide.* A general guide to the Title IV programs, written for students and parents.
- *The Federal Student Financial Aid Handbook.* A detailed reference guide to the administration of the Title IV programs, written for financial aid administrators.
- *Current Title IV Regulations.* A compilation of all the current regulations governing the Title IV programs.
- *The Verification Guide.* A guide to verifying student aid application information, for the purpose of confirming correct data and identifying incorrect or misreported data.
- *The Blue Book—Accounting, Record-keeping, and Reporting by Postsecondary Educational Institutions for Federally-Funded Student Financial Aid Programs.* A guide to proper fiscal operations procedures related to administering the Title IV programs. This publication is a "must-have" for all fiscal officers.
- *The Audit Guide—Student Financial Assistance Programs.* A guide to preparing for and completing required audits of federal student aid operations.
- *The Recipient's Guide to the Payment Management System.* A guide that prescribes the procedures to be observed by schools to meet their responsibilities in requesting payments and managing and controlling federal cash.

Other Resource Materials

ED also sends to each participating Title IV school Dear Colleague letters and reprints of the *Federal Register* pertaining to Title IV aid. You should keep current in your reading of these documents and have them readily accessible for reference in your work.

In addition to ED's reference and training publications, there are several non-ED publications that may be useful financial aid resources, although ED does not endorse or promote such publications.

These publications are usually available, for a fee, from professional associations and national, state, and local agencies. Membership in the association is sometimes required. The publications include:

- Financial aid encyclopedias or tool kits;
- Job aids;
- Self-instructional guides; and
- Newsletters or research journals.

Student Aid Reference Library

A good student aid reference library includes all the ED publications described above. Many are updated annually. ED sends these publications to each participating Title IV school each time the publications are updated.

Extra copies can be ordered from the Federal Student Aid Information Center (**1-800-4-FED-AID**) at no charge. The quantities that can be sent are usually limited, but the school can make copies if necessary.

Your student aid reference library should be kept up-to-date with the latest editions of all publications readily available for reference. However, it is also important to maintain the old versions of the publications on file in the event that it is necessary to respond to an audit finding concerning a rule that may have changed.

Electronic Processing

The Department of Education offers electronic processing services that replace or supplement traditional paper processing. Among these services are:

- The Electronic FISAP. The Electronic FISAP increases productivity and efficiency for the financial aid administrator and ED, by providing automatic calculation and edit features for the user.
- The Default Reduction Assistance Program (DRAP). DRAP provides supplemental debt collection assistance to institutions participating in the Federal Perkins Loan program that are experiencing difficulty in collecting delinquent loans.

NOTE: Institutions that have a default rate greater than 7% are encouraged to enroll for this free service.

- The Electronic Data Exchange (EDE). EDE allows participants to transmit federal student aid application data and Federal Pell Grant payment data to ED.

- The Pell Grant Recipient Data Exchange (RDE). RDE allows schools to process large volumes of recipient data using magnetic tape or cartridge. This process reduces the amount of paper handling and storage requirements of manual processing.

- The Floppy Disk Data Exchange (FDDE). This process is an alternative to paper Payment Voucher submission. It also enables schools with minimal ADP resources to take advantage of automatic processing.

- The Electronic Need Analysis System (ENAS). ENAS can be used to calculate the expected family contribution (EFC).

Organization of the Office of the Deputy Assistant Secretary for Student Financial Assistance Programs (SFAP)

The Deputy Assistant Secretary for Student Financial Assistance Programs is responsible for administering the SFA programs and for developing the policies and procedures to meet the objectives of those programs. Chapter 1 of the *Federal Student Financial Aid Handbook* contains detailed information on the organization of SFAP, including telephone numbers.

Report incidents of fraud or suspected fraud to the Office of Inspector General's hotline at **1-800-MIS-USED**, contact local law enforcement officials, or write to:

Inspector General's Hotline
Office of Inspector General
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202-1510

Technical Assistance and Training from the Department of Education

ED offers financial aid related training at various times throughout the year. Watch for special Dear Colleague letters, clearly identified as "Training Announcements."

Technical assistance inquiries should be directed to the Federal Student Aid Information Center at **1-800-4-FED-AID**.

Technical Assistance and Training from Professional Associations

Technical assistance is usually available to members of an association. Some associations may research technical and historical questions, locate helpful materials, and refer problems or questions to experienced members.

Training is usually offered to both members and non-members, the latter paying a higher registration fee. Workshop topics are usually chosen in keeping with the current needs and problem issues of the financial aid community.

Workshops are offered on four different levels: local, state, regional, and national. Many of the national workshops are listed in ED's Training Calendar, which is published four times a year.

In addition to training, many associations hold annual or semi-annual conferences that provide valuable opportunities to exchange information, to network, and to express opinions on aid-related issues.

Some of the major national associations related to student aid administration are listed on the following page.

- CCA—The Career College Association. CCA is a national association for private business career schools and trade and technical schools. It offers training workshops for aid administrators at trade and technical schools.

CCA
750 First Street, N.E., Suite 900
Washington, D.C. 20002
Tel: (202) 336-6700

- AACS—The American Association of Cosmetology Schools. This association holds seminars for financial aid administrators who work at cosmetology schools.

AACS
901 Washington Street, Suite 206
Alexandria, VA 22314
Tel: (703) 683-1700

- NACCAS—The National Accrediting Commission of Cosmetology Arts and Sciences. NACCAS can provide helpful information to cosmetology schools.

NACCAS
901 N. Stuart Street, Suite 900
Arlington, VA 22203
Tel: (703) 527-7600

- NACUBO—The National Association of College and University Business Officers. This association provides publications and training to assist in the effective administration of financial aid.

NACUBO
1 Dupont Circle, N.W.
Washington, D.C. 20036
Tel: (202) 861-2500

- NASFAA—The National Association of Student Financial Aid Administrators — is the only national association with a primary focus on student aid legislation, regulatory analysis, and professional development for financial aid administrators. Among its many services, NASFAA provides the *Encyclopedia of Student Financial Aid*, a comprehensive reference guide to the federal Title IV student aid programs. The *Encyclopedia* will soon be available in electronic format on a searchable database.

NASFAA
1920 L Street, N.W., Suite 200
Washington, D.C. 20036
Tel: (202) 785-0453

National, State, and Local Agencies

You can also receive technical assistance from national, state, or local agencies. These agencies may offer workshops on student aid-related topics. Some examples of such agencies are:

- State Higher Education Assistance Agencies;
- State Guarantee Agencies; and
- Financial aid servicers.

A list of ED's regional offices is shown on page TG 1-32. The map on page TG 1-33 shows the boundaries of the ten ED Regions and contrasts them to the areas covered by NASFAA's regional associations. Notice that the Regional Office areas do not necessarily correspond to the association areas.

Networking

Networking is another important source of technical assistance and training. Through networking, financial aid administrators can exchange:

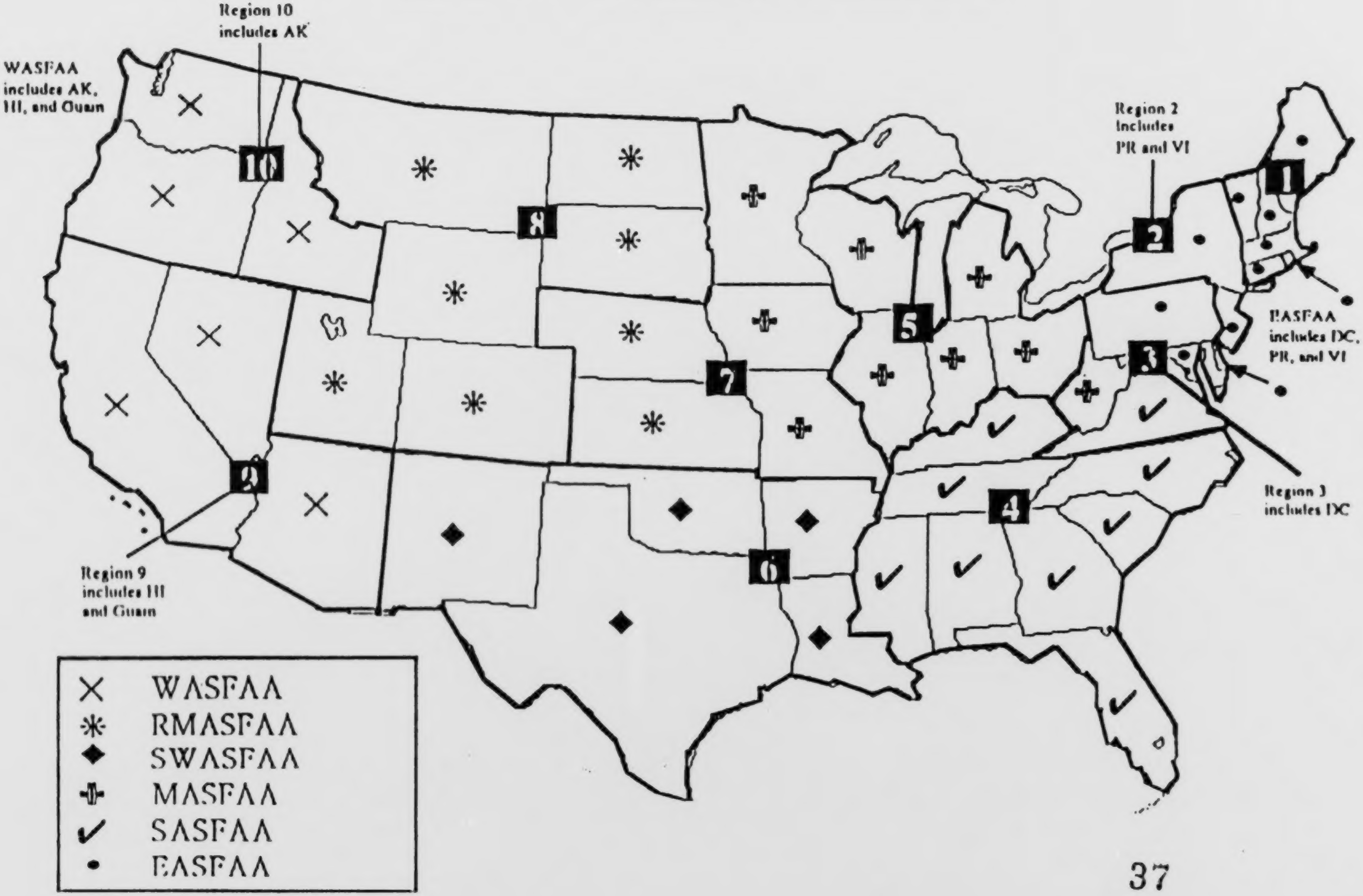
- Technical information;
- Suggested management approaches;
- Guidance for problem-solving; and
- Assistance for new and inexperienced staff.

Networking opportunities are available through association memberships, school partnerships, and personal and professional affiliations.

ED Regional Offices

Region		
I	FOS Regional Office U.S. Department of Education J.W. McCormack POCH Bldg. 5 Post Office Square, Rm 502, MS-01-0070 Boston, MA 02109 (617) 223-9338	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
II	FOS Regional Office U.S. Department of Education 26 Federal Plaza, Rm 3954, MS-02-1081 New York, NY 10278 (212) 264-4022	New Jersey, New York, Puerto Rico, Virgin Islands
III	FOS Regional Office U.S. Department of Education 3535 Market Street, Rm 16200, MS-03-2080 Philadelphia, PA 19104 (215) 596-1018	District of Columbia, Delaware, Maryland, Pennsylvania, Virginia, West Virginia
IV	FOS Regional Office U.S. Department of Education 101 Marietta Tower, Suite 2203 Atlanta, GA 30323 (404) 331-0556	Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee
V	FOS Regional Office U.S. Department of Education 401 State Street, Rm 700-D, MS-05-4080 Chicago, IL 60605 (312) 353-0375	Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin
VI	FOS Regional Office U.S. Department of Education 1200 Main Tower Bldg., Rm 2150, MS-06-5080 Dallas, TX 75202 (214) 767-3811	Arkansas, Louisiana, New Mexico, Oklahoma, Texas
VII	FOS Regional Office U.S. Department of Education 10220 NW Executive Hills Blvd. 9th floor, MS-07-6080 Kansas City, MO 64153-1367 (816) 891-8055	Iowa, Kansas, Missouri, Nebraska
VIII	FOS Regional Office U.S. Department of Education 1244 Speer Blvd., Suite 310, MS 08-7089 Denver, CO 80204-3582 (303) 844-3676	Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming
IX	FOS Regional Office U.S. Department of Education 50 United Nations Plaza, Rm 268, MS-09-8080 San Francisco, CA 94102-4987 (415) 556-8382	Arizona, California, Hawaii, Nevada, American Samoa, Guam, Federated States of Micronesia, Palau, Marshall Islands, Commonwealth of the Northern Marianas
X	FOS Regional Office U.S. Department of Education 915 Second Avenue, Rm 3388, MS-10-9081 Seattle, WA 98174-1099 (206) 220-7820	Alaska, Idaho, Oregon, Washington

ED's Regional Offices and NASFAA's Regional Associations


Region 10 includes AK
WASFAA includes AK, HI, and Guam
Region 2 Includes PR and VI
EASFAA includes DC, PR, and VI
Region 3 includes DC
Region 9 includes HI and Guam
1
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9
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× WASFAA
✳ RMASFAA
◆ SWASFAA
✣ MASFAA
✓ SASFAA
• EASFAA

SESSION #2

Changes In Eligibility and Other Administrative Requirements

Session Objectives

- Trainees will be able to:
    1. Explain the requirements governing the Title IV eligibility of a school and any of its branch campuses and other locations;
    2. Identify new Title IV cash management rules;
    3. Define an eligible program for purposes of the Title IV programs;
    4. Describe how the definition of an academic year impacts the eligibility of a school's academic programs;
    5. Explain the effect that a student's default on a Title IV loan has on the student's Title IV eligibility; and
    6. Describe new reporting responsibilities for schools.

Sources for Further Study

- Federal Register, December 1, 1994 (Student Assistance General Provisions; cash management requirements)
- Federal Register, November 29, 1994 (Student Assistance General Provisions; academic year, eligible program, and third-party servicer requirements; and institutional financial and administrative standards)
- Federal Register, April 29, 1994 (Student Assistance General Provisions; academic year, eligible program, and third-party servicer requirements; and institutional financial and administrative standards)
- Federal Register, April 29, 1994 (Student Assistance General Provisions; campus safety)
- Federal Register, April 29, 1994 (Institutional eligibility requirements)
- Federal Register, March 16, 1994 (Student Assistance General Provisions; requirement for a valid Social Security number)
- Federal Student Financial Aid Handbook, Chapters 2 and 3

ISSUES OF INSTITUTIONAL ELIGIBILITY

In order to participate in any of the Title IV programs, a school must:

1. Meet the standards for an eligible institution;
2. Demonstrate that it is administratively and financially capable of participating in the Title IV programs;
3. Enter into a written Program Participation Agreement with ED; and
4. Be certified to participate in the Title IV programs.

These training materials describe eligibility requirements schools must meet for participating in the Title IV programs.

Definition of an Eligible Institution

Three types of institutions are defined as eligible to participate in the Title IV programs:

1. An institution of higher education;
2. A proprietary institution of higher education; and
3. A postsecondary vocational institution.

A school must meet one of the three definitions.

ELIGIBLE SCHOOL DEFINITIONS — ELIGIBLE FOR ALL SFA PROGRAMS

<table>
<tr><th>Institution of Higher Education</th><th>Proprietary Institution of Higher Education</th><th>Postsecondary Vocational Institution</th></tr>
<tr><td>Control
• Public or private nonprofit
• Located in a state</td><td>Control
• Other than public or private nonprofit
• Located in a state</td><td>Control
• Public or private nonprofit
• Located in a state</td></tr>
<tr><td>Program offered
• An associate, baccalaureate, graduate, or professional degree.
• At least a two-academic-year program acceptable for full credit towards a bachelor's degree.
• At least a one-academic-year educational program that leads to a degree, certificate, or other recognized educational credential, and prepares students for gainful employment in a recognized occupation.</td><td colspan="2">Program offered*
• At least a 15-week program of 600 clock hours, 16 semester/trimester hours, or 24 quarter hours. Program may admit students who have not completed an associate degree or equivalent, and must provide training for gainful employment in a recognized occupation.
• At least a 10-week program of 300 clock hours, 8 semester/trimester hours, or 12 quarter hours. Program must provide training for gainful employment in a recognized occupation. Program must be a graduate or professional program, or admit only students who have completed an associate degree or equivalent; or
• For purposes of the FFEL Programs only, at least a 10-week undergraduate program of between 300 and 599 clock hours that has been in existence for at least one year, and provides training for gainful employment in a recognized occupation. The number of clock hours may not exceed by more than 50% the maximum number of clock hours established by the state or by any federal agency as required for training in the recognized occupation. Program must admit some students who have not completed an associate degree or equivalent, and must have at least a 70% completion rate and a 70% placement rate.
Two-year rule (for Proprietary Institutions of Higher Education or Postsecondary Vocational Institutions)
• Has been legally authorized to give (and has been giving) postsecondary instruction for at least two consecutive years. Educational programs offered are substantially the same in length and subject matter as programs offered during the 24 months preceding the date of school's eligibility application.</td></tr>
<tr><td colspan="3">Legal authorization
• Legally authorized, by the state where it offers postsecondary education, to provide a postsecondary educational program.
Accreditation
• Is accredited or preaccredited by a nationally recognized accrediting agency, or if a public postsecondary vocational educational institution, is approved by a recognized state agency.
Admissions
• Admits as regular students only persons with a high school diploma or its recognized equivalent, or persons beyond the age of compulsory school attendance in the state in which the school is physically located.</td></tr>
</table>

* These programs may be offered at any of the types of eligible schools.

ED will recognize a school's accreditation or preaccreditation by a nationally recognized accrediting agency if the school:

1. Agrees to binding arbitration regarding any adverse accreditation or preaccreditation action before pursuing other legal action.

2. Is not multiply accredited or preaccredited unless the school has:

   a. Satisfactorily demonstrated the need for multiple accreditation or preaccreditation; and

   b. Stated which accreditation or preaccreditation is used for determining its Title IV eligibility.

3. Has not changed accrediting agencies without satisfactorily demonstrating why a change in accreditation is warranted.

Any school that involuntarily loses its accreditation or preaccreditation, or withdraws from accreditation or preaccreditation under an adverse action, is ineligible to participate in the Title IV programs for at least two years unless the accrediting agency that took that action rescinds that action.

However, if the loss of accreditation or preaccreditation is related to the school's religious mission or affiliation only, the school may continue to participate in the Title IV programs for up to 18 months while obtaining alternate accreditation or preaccreditation.

Factors of Financial Responsibility

In order to participate in the Title IV programs, a school must demonstrate annually that it is financially responsible.

Within four months of the end of its fiscal year, the school must provide ED with:

1. A copy of the school's audited financial statements for the two most recent fiscal years; and

2. Any additional documentation required by ED.

Using the financial information received from the school, ED evaluates the school according to the standards contained in Section 668.15 of the Student Assistance General Provisions regulations.

TITLE IV FINANCIAL RESPONSIBILITY STANDARDS

A school is financially responsible if the school meets the following criteria:

- Provides all services described in its official publications and statements*
- Provides administrative resources necessary to comply with requirements for participating in the Title IV programs*
- Meets all of its financial obligations,* including the payment of:
  - Required refunds to students; and
  - Liabilities and debts to ED
- Is current in the payment of any institutional debts*
- Posts an irrevocable line of credit, acceptable and payable to ED, equal to 25% of the total amount of Title IV program refunds paid by the school in the previous fiscal year**
- Does not have as part of its most recent audit report*:
  - A statement expressing substantial doubt of the school's ability to continue as a going concern; or
  - A disclaimed or adverse opinion by the accountant
- No individual who exercises significant control over the school owes a liability for a Title IV program violation unless the school and the individual owing the liability meet the provisions of 668.15(d)(4)
- Has not been limited, suspended, or terminated; or has not entered into a settlement agreement to resolve a limitation, suspension, or termination within the preceding 5 years
- Was not required to repay an amount greater than 5% of Title IV funds received for an award year as a result of a finding during its 2 most recent program reviews or audits
- Was not cited during the preceding 5 years for failure to submit acceptable audit reports in a timely manner
- Did not fail to resolve satisfactorily any compliance problems identified during a program review or audit

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* A school may be considered financially responsible even if the school fails to meet this standard if the school submits to ED an irrevocable letter of credit of not less than one-half the Title IV program funds received by the school for an award year; or the school is able to establish that it has sufficient resources to ensure against its precipitous closure.

** This standard is not applicable if the school: 1. Is located in a state that has a tuition recovery plan, acceptable to ED, and the school contributes to that tuition recovery fund; 2. Has its liabilities backed by the full faith and credit of the state or by an equivalent governmental entity; or 3. Demonstrates to ED that for each of the 2 most recently completed fiscal years, the school has made timely refunds to students and has met all of the financial responsibility standards.

Continued on next page

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TITLE IV FINANCIAL RESPONSIBILITY STANDARDS (CONT'D.)

✦ If a for-profit institution*:

- Maintains an acid test ratio of 1:1 in terms of the school's cash (excluding any irrevocable line of credit requested by ED) and current receivables to current liabilities, and
- Has not had operating losses in either or both of its last 2 fiscal years that in sum have resulted in more than 10% reduction in the school's tangible net worth, and
- Has a positive tangible net worth for its most recent fiscal year,

OR

- Has outstanding debt obligations that are listed at or above the second highest credit rating level by a nationally recognized statistical rating organization

✦ If a nonprofit institution*:

- Demonstrates at the end of its most recent fiscal year an acid test ratio of 1:1 in terms of the school's cash and current receivables to current liabilities, and
- (1) Has at the end of its most recent fiscal year a positive unrestricted current fund balance or positive unrestricted net assets

  or

  (2) Has not had an excess of current fund expenditures over current fund revenues over the past 2 fiscal years that have resulted in more than 10% reduction in the school's unrestricted current fund balance or unrestricted net assets

OR

- Has outstanding debt obligations that are listed at or above the second highest credit rating level by a nationally recognized statistical rating organization

✦ If a public institution*:

(Needs to meet only one of the following)

- Has its liabilities backed by the full faith and credit of the state or other equivalent government entity, and
- Has a positive unrestricted current fund balance, if reporting under the Single Audit Act, and
- Has a positive unrestricted current fund balance in the state's higher education fund as presented in the general purpose financial statements, and
- Submits documentation from the state auditor general that it has met all of its financial obligations during the past year, and has sufficient resources to meet all of its financial obligations

OR

- Has outstanding debt obligations that are listed at or above the second highest credit rating level by a nationally recognized statistical rating organization

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* A school may be considered financially responsible even if the school fails to meet this standard if the school submits to ED an irrevocable letter of credit of not less than one-half the Title IV program funds received by the school for an award year; or the school is able to establish that it has sufficient resources to ensure against its precipitous closure.

For Title IV eligibility purposes, a school must meet each of the applicable standards. If a school fails to meet all applicable standards, ED may provisionally certify the school's participation in the Title IV programs if the school is applying for certification and:

1. The school's participation was limited or suspended under Part G of the Student Assistance General Provisions; or

2. The school voluntarily enters into provisional certification.

If a school is provisionally certified, the school's Program Participation Agreement (PPA) will specify the time frame and the conditions under which the school may participate in the Title IV programs.

Administrative Capability Standards

A school also must be administratively capable of managing the Title IV programs in which it participates, or wishes to participate.

ED evaluates the school's administrative capabilities:

1. Based on information available to ED, including the school's annual compliance audit; and

2. According to the standards contained in Section 668.16 of the Student Assistance General Provisions regulations.

TITLE IV ADMINISTRATIVE CAPABILITY STANDARDS

A school is administratively capable if the school:

- Administers the Title IV programs in accordance with all Title IV requirements;
- Designates a capable individual to be responsible for the administration of the Title IV programs;
- Has adequate staffing for administering the Title IV programs;
- Communicates to the individual responsible for the administration of the Title IV programs all information that bears on a student's Title IV eligibility;
- Has written procedures for administering the Title IV programs;
- Administers the Title IV programs with adequate checks and balances in its system of internal controls;
- Divides the functions of authorizing Title IV payments and disbursing/delivering Title IV funds so that the functions are carried out by at least 2 organizationally independent individuals;
- Establishes and maintains required Title IV records;
- For purposes of determining student eligibility for Title IV assistance: establishes, publishes, and applies reasonable standards for measuring whether a student is maintaining satisfactory academic progress in the completion of his/her educational program;
- Develops an adequate system for resolving discrepancies in information related to a student's application for Title IV assistance;
- Refers to ED's Office of Inspector General information indicating that an applicant for aid, employee, or agent of the school may have engaged in fraud or other criminal misconduct in connection with the application for Title IV programs;
- Provides adequate financial aid counseling to Title IV applicants;
- Submits in a timely manner all required Title IV program reports, including the submission of required fiscal reports and financial statements;
- Does not demonstrate any significant problems in its ability to administer the Title IV programs;
- Does not have any individual affiliated with the school who is/has been debarred or suspended, or is engaging in any activity that is a cause for suspension or debarment under Executive Order 12549 or the Federal Acquisition Regulations;
- For a school that seeks initial participation in a Title IV program: does not have more than 33% of its students withdraw during the latest complete award year;
- Has a cohort default rate* of less than 25% under the Federal Family Education Loan Programs for each of the 3 most recent fiscal years, and equal to or less than 15% under the Federal Perkins Loan Program; and
- Does not appear to lack the ability to administer the Title IV programs competently.

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* If a school is determined not to be administratively capable based on this standard only, ED will provisionally certify the school's participation in the Title IV programs.

To be eligible to participate in the Title IV programs, a school must comply with each standard. However, ED may provisionally certify a school's participation in the Title IV programs if the school was determined not to be administratively capable because of its Federal Family Education Loan (FFEL) Program and/or Federal Perkins Loan cohort default rates.

Cash Management Requirements

Effective July 1, 1995, new requirements apply to schools and third-party servicers that request, maintain, and disburse Federal Pell Grant, campus-based, Direct Loan, and Federal Family Education Loan (FFEL) Program funds.

Requesting Title IV Funds

A school requests Federal Pell Grant, campus-based, and Direct Loan funds from ED either before or after making disbursements to students. ED decides which schools are allowed to request funds in advance and which schools are placed on reimbursement.

If funds are requested in advance, the school's request is limited to the amount needed to make disbursements within three days of receiving the funds (i.e., the school's "immediate need").

If the school has already disbursed students' Title IV awards using institutional funds, the school's request is limited to:

1. The amount of funds actually disbursed; and
2. The amount of any additional funds needed to make disbursements within three days of receiving the funds.

ED may require schools on the reimbursement method to document the disbursements it has made to students.

In either situation, any Title IV funds that the school has not disbursed after three days of their receipt must be returned to ED unless:

1. The Title IV funds are FFEL proceeds or Federal Perkins Loan funds; or

2. The amount of the school's excess cash is less than:

    a. 3 percent of the total amount of the school's drawdowns in the preceding award year for a period of peak enrollment; or

    b. 1 percent of its total drawdowns in the preceding year, for any other period; and

    c. The school will eliminate its excess cash within the next seven days by making disbursements of Title IV funds to students for at least the amount of that balance.

A period of peak enrollment is any 30-day period during which at least 30 percent of the school's students start classes.

The school will be penalized if it maintains an excess cash balance. The amount of a school's liability is equal to the difference between the earnings the cash balance would have yielded under a Treasury-derived rate and the actual interest earned on the cash balance.

Under the FFEL Program, a school may not request that a lender disburse loan proceeds in the form of an electronic funds transfer (EFT) or a master check earlier than 13 days before the first day of the student's enrollment period.

Maintaining Title IV Funds

Title IV funds must be maintained in a school-designated bank account. The school must:

1. Inform the bank in writing that the account contains federal funds; or

2. Include the word "Federal" in the name of the account.

In addition, the school must file with the appropriate state or municipal government a UCC-1 form stating that the school-designated bank account contains federal funds. The account is not required to be a federally insured, interest-bearing account unless the school drew down $3,000,000 or more in Title IV funds in the prior award year.

Notwithstanding any other provisions, Federal Perkins Loan funds must be deposited in:

1. An interest-bearing account that is:

    a. Federally insured; or

    b. Secured by collateral of equivalent value; or

2. An investment account that consists primarily of low-risk, income-producing securities, such as obligations issued and guaranteed by the federal government.

A school *may* maintain all other Title IV program funds in an interest-bearing account if that account meets the requirements described above that apply to Federal Perkins Loan funds.

For all other Title IV programs, the school *must* follow the rules that apply to the deposit of Federal Perkins Loan funds if the school:

1. Drew down $3,000,000 or more in Title IV funds in the prior award year; and

2. Earned in the award year or would earn during the coming award year at least $250 or more on the funds maintained in an interest-bearing account.

Otherwise, the school is not required to deposit Title IV funds (exclusive of Federal Perkins Loan funds) in an interest-bearing account.

Except for earnings on Federal Perkins Loan funds, any earnings in excess of $250 received on the school's interest-bearing Title IV account(s) must be paid annually to ED. All earnings on Federal Perkins Loan funds must be used for Federal Perkins Loan Program purposes.

A school must maintain separate Title IV program accounts if ED determines that:

1. The school's accounting and internal control systems do not adequately identify:

    a. Title IV cash balances; or

    b. Earnings on Title IV funds;

2. The school's financial records:

    a. Are not maintained on a current basis;

    b. Are not reconciled at least monthly; or

    c. Do not accurately reflect all Title IV program transactions; or

3. The school failed to comply with all Title IV regulatory record maintenance and reporting requirements.

Disbursing Title IV Funds

Except for Federal Work-Study funds, new requirements apply regarding the disbursement of Title IV funds.

Title IV funds may be disbursed by:

1. Check, cash, or other means payable to and requiring the endorsement or certification of the student (or parent borrower, if a Federal Direct PLUS Loan or Federal PLUS Loan);

2. An electronic funds transfer (EFT); or

3. Crediting the student's account.

Except for a student subject to delayed disbursement requirements under the Direct Loan Program or delayed delivery requirements under the FFEL Program, the earliest that a school may disburse any Title IV funds or deliver any FFEL proceeds is ten days prior to the start of the payment period or the enrollment period. The delayed disbursement and the delayed delivery requirements (which are described in Session 5) apply to a student who:

1. Is enrolled in the first year of an undergraduate program of study; and

2. Has not previously received a Direct Loan or a FFEL Program Loan.

If the school credits a student's account with Direct Loan or FFEL Program funds, the school must provide prompt written notification to the student or parent borrower that the school has credited the student's account.

If payment will be made by means of an EFT, the school must obtain:

1. The student's written authorization to make EFT payments to the student's account; and

2. For a Federal PLUS or a Federal Direct PLUS Loan, the parent's written authorization to make EFT payments to the student's or the parent's bank account.

The student's (or parent's, if applicable) written authorization is valid only for the award year or enrollment period in which it was obtained. However, the school may continue to use the initial EFT authorization for a subsequent award year if:

1. The school notifies the individual who provided the authorization prior to making any subsequent EFT payments to the student's account; and

2. The school's notification clearly explains the provisions of the current authorization including information regarding:

    a. Whether the school will pay to the student any interest earned on the student's funds; and

    b. The student's or parent's right to cancel or modify the provisions of the written authorization at any time.

These requirements regarding a student's or parent's written authorization also apply to:

1. The school's use of Title IV funds to pay for institutional charges; and

2. The school's ability to hold excess funds for use or delivery later in the award year.

If a school credits a student's account, it may do so only for those school charges that:

1. Are allowable; and
2. Are incurred during the current award year or period of enrollment.

Allowable charges that a school may credit to a student's account without written authorization from the student are:

1. Tuition and fees;
2. Room and board, if the student contracts with the school for room and board; and
3. Other cost-of-attendance charges if the student has given the school written authorization to credit the student's account for those charges.

Any amount of Title IV funds that exceeds the amount of the student's allowable institutional charges must be paid to the student within certain time frames. For the 1995-96 award year, the student must be paid the excess funds within the later of:

1. Twenty-one days after the balance occurs;
2. Twenty-one days after the first day of classes for the payment period (or the enrollment period if a Direct Loan or a FFEL Program Loan); or
3. Twenty-one days after the student rescinds his or her permission for the school to retain the excess funds for use or delivery later in the award year.

Beginning with the 1996-97 award year, the student must be paid with 14 days of the latest of the events described above.

Excess student funds may be retained on the student's account only if the student voluntarily gives the school a written authorization. If the student later rescinds that permission, the excess funds must be paid to the student by the latest of the above three dates.

Any funds that the student has asked the school to retain for use at a later date must be deposited into a subsidiary ledger account designated for that purpose. The subsidiary ledger account must identify each student and the amount of funds the school is holding for the student. The school also must maintain at all times in its bank account an amount equal to the funds the school is holding for students. The school may retain any interest earned on the funds it is holding for students.

Requirements for an Institution's Branch Campus and Other Locations

A school's Title IV eligibility does not automatically extend to a branch campus or location of the school.

A branch campus is a location of the school that is independent and geographically apart from the main campus of the school. "Independent of the school" means that the location:

1. Is permanent in nature;
2. Offers courses in educational programs that lead to a degree, certificate, or other recognized educational credential; and
3. Has its own:
   a. Faculty and administrative or supervisory organization; and
   b. Budgetary and hiring authority.

A branch campus established after the school receives its Institutional Approval Notice must undergo a full review of its eligibility to participate in the Title IV programs.

If ED does not certify all of the school's locations, only those locations eligible to participate will be listed in the school's Institutional Approval Notice. Title IV eligibility does not automatically extend to a new location established after the school receives this notice unless:

1. The school provides less than 50 percent of an educational program at the location; or

2. The school has notified ED that it provides at least 50 percent of an educational program at the location, and ED has notified the school that an eligibility application is not required.

Other Conditions of Institutional Eligibility

A school permanently loses its Title IV eligibility if:

1. The school, or an affiliate that controls the school, files for bankruptcy; or

2. The school or the school's owner or chief executive officer has been convicted of or has pled guilty to certain crimes involving Title IV funds.

If a school loses its Title IV eligibility for any of the following reasons, the school may regain eligibility after it has corrected the condition that led to its ineligibility.

Correspondence Programs

A school no longer qualifies as an eligible institution if during any award year:

1. More than 50 percent of the courses offered by the school were correspondence courses; or

2. 50 percent or more of the school's regularly enrolled students were enrolled in correspondence courses.

Appendix A to this session describes how to calculate these percentages.

An exemption applies to both of these exclusions if the school qualifies as a technical institute or a vocational school under section 521(4)(C) of the Carl D. Perkins Vocational and Applied Technology Education Act.

ED may waive the limitation on the percentage of students enrolled in correspondence courses if:

1. The school offers two-year associate degree and/or four-year bachelor's degree programs; and

2. The students enrolled in the school's correspondence courses receive no more than 5 percent of the Title IV funds received by all of the school's students during the award year.

Students Without a High School Diploma or Its Equivalent

If 50 percent or more of the regularly enrolled students at a school that does not offer at least a two-year associate degree or a four-year bachelor's degree are admitted during any award year without a high school diploma or its equivalent, the school no longer is an eligible institution.

Appendix B to this session describes how to calculate this percentage.

However, a waiver may apply if the school:

1. Is nonprofit;
2. Provides training under a federal, state, or local government contract to a significant number of low income students who:
   a. Do not have a high school diploma or its recognized equivalent; and
   b. Are in need of the training; and
3. Has no more than 40 percent of its enrolled regular students who:
   a. Do not have a high school diploma or its equivalent; and
   b. Are not served through a government training contract as described above.

Other Limitations on Institutional Eligibility

Appendix C to this session describes the limitation on the percentage of incarcerated regular students that any school may enroll.

For proprietary schools, if for any fiscal year more than 85 percent of a school's total revenue is derived from Title IV program funds, the school no longer meets the definition of an eligible institution. Implementation of this requirement, which is also known as the "85-15 Rule," has been delayed until July 1, 1995.

Use of Third-Party Servicers

A school's eligibility to participate in the Title IV programs is affected by the actions of any third-party servicer(s) it uses for administering the Title IV programs.

A third-party servicer is any individual or organization that contracts with the school to administer, through either manual or automated processing, any aspect of the school's participation in any Title IV program. An employee of a school is not a third-party servicer

The definition of a third-party servicer:

1. Is in Section 668.02 of the Student Assistance General Provisions; and
2. Contains examples of activities that ED considers to be, or not to be, the administration of a school's participation in a Title IV program.

Schools should refer to these examples when determining whether other activities performed by an individual or organization for the school are functions performed by a third-party servicer.

Anytime that a school enters into, or significantly modifies, its contract with a third-party servicer, the school is required to notify ED. A significant modification of the school's contract includes a change in any of the servicer's functions or responsibilities for administering the school's participation in the Title IV programs.

ED will review the school's third-party servicer contract at the time the school undergoes recertification to participate in the Title IV programs. ED may request a copy of the contract prior to the school's recertification.

A school is jointly and severally liable for the actions of its third-party servicers. Appendix D has additional information regarding the use of third-party servicers.

Agreements Between Schools

Schools may enter into written agreements with other schools to provide a portion of a student's educational program. Information regarding written agreements between schools is in Appendix E.

PROGRAM ELIGIBILITY REQUIREMENTS

The school must list all of its educational and training programs in its application for certification or recertification of its Title IV eligibility. If any program does not meet the requirements of an eligible program, only the school's eligible programs will be listed in the school's Institutional Approval Notice.

The school normally determines the eligibility of a program established after the school receives its Institutional Approval Notice. If the school incorrectly determines that a program is eligible, the school is liable for any Title IV funds paid to students enrolled in that program.
ED's approval for an additional program is required only if the program is:

1. A short-term program; or

2. A program that leads to an occupation different from those resulting from programs the school already offers.

Requirements of an Eligible Program

The basic standards for an eligible program are identified in the Eligible School Definitions chart on Page TG 2-3. An eligible program must meet specific requirements regarding the:

1. Length of the program; and

2. Educational objective or outcome of the program.

Minimum Length of Academic Year

A school must define the academic year for each of its different programs of study. The school's definition of an academic year must satisfy the statutory requirements that are outlined in the following chart.

STATUTORY DEFINITION OF AN ACADEMIC YEAR

Academic Progress Measured By:	Minimum Completion Requirement*	Minimum Instructional Time Requirement
Semester hours	24 semester hours	30 weeks
Trimester hours	24 semester hours	30 weeks
Quarter hours	36 quarter hours	30 weeks
Clock hours	900 clock hours	30 weeks

* Number of hours that a student enrolled full-time is expected to complete in a full academic year.

An academic year begins on the first day of classes, and ends on the last day of classes or examinations. In calculating the amount of instructional time in an academic year, a week is defined as a consecutive seven-day period.

A week of instructional time is defined differently, depending upon whether the student's program of study is:

1. A clock-hour or a standard-term credit-hour program; or

2. A credit-hour nonstandard term or nonterm program.

A standard term is a semester, trimester, or quarter. Any term that is not a semester, trimester, or quarter is a nonstandard term.

A week of instructional time:

1. For a clock-hour or a standard-term credit-hour program, must contain at least 1 day of regularly scheduled instruction, examination, or preparation for examinations; and

2. For a credit-hour nonstandard term or nonterm program, must contain:

   a. For purposes of the 1994-95 award year only, 5 days of regularly scheduled instruction, examination, or preparation for examinations. (i.e., the "five-day rule"); and

   b. Beginning with the 1995-96 award year, 12 hours of regularly scheduled instruction, examination, or preparation for examination (i.e., the "12-hour rule").

Instructional time does not include any periods of orientation, counseling, vacation, or other activity not related to class preparation.

Acceptable Variations in the Five-Day Rule and the Twelve-Hour Rule

A credit-hour nonstandard term or nonterm program that does not satisfy the five-day rule is not an eligible program unless the school can establish that the program:

1. During the 1994-95 award year contains a number of days equivalent to the minimum number required for an eligible program; and

2. Effective with the 1995-96 award year contains a number of credit or clock hours equivalent to the minimum required for an eligible program.

Example 1: A nonterm credit-hour program meets 3 nights a week for 30 weeks, and has 90 days of instruction (i.e., 3 nights times 30 weeks). Since 5 days constitute one week, 90 days divided by 5 results in an equivalent of 18 weeks of instruction. If the program meets all other requirements of an eligible program, this program is considered an eligible program because the program is at least 15 weeks long.

Example 2: A school offers a 16 semester-hour, nonterm program. In order to meet the requirements of an eligible program, the program must be offered during a minimum of 15 weeks over which there is a minimum of 180 hours of instruction, examinations, or preparation for examinations (i.e., 12 hours per week times 15 weeks). If the program actually meets fewer than 12 hours per week, the program would have to meet enough weeks to provide the required 180 hours of instruction, examinations, or preparation for examinations. If the program actually met 9 hours per week, the program must be at least 20 weeks in order to be an eligible program (i.e., 180 hours divided by 9 hours per week).

If the school uses either of these ways of calculating equivalency to determine program eligibility, that method also must be used to determine whether proration requirements apply to students enrolled in that program.

1. In the first example, proration requirements would be based on the 18 weeks since there is the equivalent of 18 weeks of instructional time in the student's program.

2. In the second example, proration requirements would be based on 20 weeks since there is the equivalent of 20 weeks of instructional time in the student's program.

Waiver of the 30-Week Requirement

A school may request that ED waive the 30-week academic year requirement to not less than 26 weeks for any of its programs if the school offers educational programs leading to a two-year associate degree or a four-year bachelor's degree.

To apply for the ED waiver, the school's request must:

1. Be made in writing;

2. Identify each program for which the waiver is requested;

3. Specify the length of the academic year for that program (i.e., 26, 27, 28, or 29 weeks);

4. State whether:

    a. The school is in the process of changing the length of the program's academic year to meet the 30-week requirement, and would like a transitional reduction; or

    b. Unique circumstances warrant an academic year that is shorter than the statutory minimum, and the school would like a long-term reduction;

5. Demonstrate that the school has made a good faith effort to comply with the statutory requirements of an academic year by prorating all Federal Pell Grant, Direct Loan, and FFEL awards made, disbursed or delivered on or after July 23, 1992; and

6. Include any other information needed by ED.

If a school is ineligible for a reduction of the 30-week requirement because the school did not properly make, disburse, or deliver Title IV funds on or after July 23, 1992, the school may establish eligibility for the reduction if the school makes arrangements satisfactory to ED to repay any overawards that resulted from the improper awarding, disbursing, or delivery of those funds.

For a program with an academic year shorter than 30 weeks on July 1, 1994 that is in transition to a 30-week academic year, the transitional waiver will be granted if ED determines the school is committed to making the transition.

If the school's request is based on unique circumstances, ED will grant a long-term waiver under the following conditions:

1. ED agrees that unique circumstances justify the shorter academic year length;

2. The school shows that full-time students enrolled in the program are carrying the same workload as other full-time students enrolled in programs with at least a 30-week academic year; and

3. The program's academic year length has been approved by the school's:

    a. Nationally recognized accrediting agency; or

    b. Recognized state agency, if the school is a postsecondary vocational institution.

If a program is granted a long-term waiver, the school must reapply for the waiver whenever the school reapplies to participate in the Title IV programs.

Short-Term Programs

For a program longer than 300 clock hours, but shorter than 600 clock hours, the program is not an eligible program unless it has at least:

1. A 70 percent completion rate; and

2. A 70 percent placement rate.

The program's completion rate for an award year is calculated as follows:

(1) Number of regular students enrolled in the program

– Number of students who withdraw/are expelled and receive a 100% refund

– Number of students still enrolled at the end of the award year

= Number of students not enrolled at the end of the award year*

* Includes all students completing the program during the award year regardless of how long it took each student to complete his or her program.

(2)
$$\frac{\text{Number of students in (1) above who completed the program within 150\% of program's published length}}{\text{Results of (1)}}$$

To obtain the placement rate for an award year:

1. Determine the number of students who received a degree or certificate during the award year.

2. Determine the number of students in #1 who got a job within 180 days of graduation and who were employed for at least 13 weeks; and

3. Calculate:
$$\frac{\text{Results of \#2}}{\text{Results of \#1}}$$

The school must document every instance of student employment used in satisfying the placement rate requirement.

In addition, the accountant who prepares the school's annual compliance audit must substantiate the school's calculation of the program's completion and placement rates.

Flight Training and ESL Programs

If a school offers a flight training program, the program must have a valid certification from the Federal Aviation Administration.

If the school offers an ESL-only program, the program must:

1. Be an undergraduate program. Federal Pell Grant assistance is the only aid that may be awarded for ESL programs;
2. Admit only students the school documents as requiring ESL instruction to use existing knowledge, skills, or training; and
3. Lead to a degree, certificate, or other recognized educational credential.

STUDENT ELIGIBILITY ISSUES

Requirement for a Valid Social Security Number

A student must have a valid Social Security number, verified by ED, to be eligible for Title IV assistance. An exception applies to students who are residents of the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

ED will verify a student's Social Security number at the time the Central Processing System (CPS) processes the student's Free Application for Federal Student Aid (FAFSA).

If the CPS is unable to conduct the data-base match with the Social Security Administration, or the match does not confirm the student's Social Security number, the school must determine the student's valid Social Security number. Title IV assistance may not be awarded until the student's Social Security number has been verified.

The student has at least 30 days from the date on which the school received the student's application output document to provide clear and convincing evidence of his or her Social Security number. Such evidence may include:

1. The student's Social Security card; or
2. A letter from the Social Security Administration.

If the student's verified Social Security number is different from the number reported on the student's output document, the school must report the correct number to ED by submitting a paper or electronic correction through the CPS.

Effect of Default on a Title IV Loan

A student who has defaulted on a Title IV loan is not eligible for any further Title IV assistance unless:

1. The defaulted loan was discharged, or is dischargeable, in bankruptcy; or
2. The student:
    a. Repays the defaulted loan in full;
    b. Makes satisfactory repayment arrangements with the holder of the defaulted loan; or
    c. Compromises the loan.

Any borrower of a Title IV loan also may regain full Title IV eligibility if the borrower obtains and includes the defaulted loan in a Federal Direct Consolidation Loan or a Federal Consolidation Loan.

To apply for a Federal Direct Consolidation Loan, the defaulted borrower must:

1. Contact ED; and
2. Make a satisfactory repayment arrangement.

For purposes of a Consolidation Loan, a satisfactory repayment arrangement means the borrower must make three reasonable and affordable on-time monthly payments that are based on the borrower's financial circumstances. The borrower's monthly payment is considered to be on time if it is received within 15 days of its due date.

A defaulted borrower of one or more Federal Family Education Loans also may regain full Title IV eligibility if the borrower finds a FFEL Programs lender that is willing to make a FFEL Consolidation Loan, and makes a satisfactory repayment arrangement.

The chart on the following page summarizes whether the borrower is eligible for Title IV grant or loan assistance when certain conditions are present.

EFFECT OF TITLE IV LOAN STATUS ON STUDENT AID ELIGIBILITY

Loan Status	FFEL Programs and Direct Loans	Federal Perkins	Federal Pell, FSEOG, FWS, and SSIG
Default **No Other Conditions Met**	NO	NO	NO
Default **Paid in full**	YES	YES	YES
Default **Satisfactory Repayment Arrangements Made**	YES	YES	YES
Default **Written-off**	NO[2]	NO[2]	NO[2]
Default **Compromise**	YES	YES	YES
Default **Total and Permanent Disability Cancellation**	NO[3, 4] (if loan cancelled was an FFEL)	NO[3, 4] (if loan cancelled was a Federal Perkins)	YES
No Default **Total and Permanent Disability Cancellation**	NO[3, 4] (if loan cancelled was an FFEL)	NO[3, 4] (if loan cancelled was a Federal Perkins)	YES
Default **Bankruptcy**	YES	YES	YES
No Default **Bankruptcy**	YES	YES	YES

[1] Under the Federal Perkins Loan Program regulations [Section 674.9(e)], the financial aid administrator has discretion to deny eligibility for additional loans under the policy of "unwillingness to repay."

[2] An exception is permissible if the applicant: (a) reaffirms his/her Title IV loan obligation(s) with holder(s) of the note(s) that was (were) written off and makes satisfactory repayment arrangements as part of the reaffirmation (for any loan(s) in default prior to the write-off); or (b) repays the loan(s) in full.

[3] An exception is permissible if the applicant: (a) reaffirms his/her Title IV loan obligation(s) with holder(s) of the note(s) that was (were) previously cancelled due to the applicant's disability and makes satisfactory repayment arrangements as a part of the reaffirmation (for any loan(s) in default prior to the disability cancellation); (b) obtains a certification from his/her physician that his/her disability condition has improved and that he/she has the ability to engage in substantial gainful activity or to attend an institution of postsecondary education; and (c) signs a statement indicating that he/she is aware that his/her Title IV loan cannot be cancelled in the future on the basis of any present impairment, unless that condition substantially deteriorates to the extent that the definition of total and permanent disability is met.

[4] Effective 07/01/95, a student will no longer be required to reaffirm a loan cancelled for total and permanent disability to establish eligibility for Title IV aid.

Requirement for a High School Diploma or Its Recognized Equivalent

In order to be eligible for Title IV assistance, a student must have a high school diploma or its recognized equivalent.

A student is considered to have the recognized equivalent of a high school diploma if the student has:

1. Received a General Education Development Certificate (GED) or a state proficiency certificate awarded when the student passes a state-authorized examination that the state recognizes as the equivalent of a high school diploma;

2. Successfully completed a two-year program that is acceptable for full credit toward a bachelor's degree; or

3. Excelled academically in high school and has met the formal written admission policies of the postsecondary institution for enrollment in a program that leads to at least an associate degree or its equivalent.

   This standard should be used only in exceptionally limited situations.

Ability-to-Benefit Requirements

If the student does not have a high school diploma or its recognized equivalent, a student may establish Title IV eligibility by demonstrating the "ability to benefit" from a postsecondary program by achieving a passing score on an independently administered and ED-approved test.

ED is in the process of developing final ability-to-benefit regulations that will establish additional requirements for students, schools, and test publishers. Until the final regulations are issued, schools may select any of the ability-to-benefit examinations listed in the December 30, 1992 Notice in the *Federal Register* or in Dear Colleague Letter GEN-93-21. The December

30, 1992 Notice also provided nonbinding guidance for implementing statutory ability-to-benefit requirements.

INSTITUTIONAL REPORTING REQUIREMENTS

Campus Safety

By September 1 of each year, a school participating in the Title IV programs must publish and distribute an annual security report. This requirement also applies separately to any campus of the school.

For purposes of this reporting requirement, a campus is defined as any building or property owned, or controlled, by the school or by student organizations of the school. Any building or property owned, or controlled, by the school that is not within the contiguous geographic area of the main campus is considered to be a separate campus.

The school's annual campus security report includes information regarding a school's:

1. Security policies and procedures:
2. Crime prevention programs; and
3. On-campus crime statistics.

REQUIRED CONTENTS OF A SCHOOL'S ANNUAL SECURITY REPORT

Policies regarding:

- Security and access to campus facilities
- The school's law enforcement authority including:
  - The extent of that authority
  - Its relationship with state and local police agencies, including any arresting authority
  - The importance of reporting all crimes to campus and local/state police agencies
- How the school monitors and records, through local police agencies, criminal activity at off campus locations of recognized student organizations
- The possession, use, and sale of alcoholic beverages and illegal drugs
- The enforcement of:
  - State underage drinking laws
  - Federal and state drug laws

Policies and procedures regarding:

- The reporting of criminal actions and other emergencies that occur on campus, including:
  - The manner in which the school responds to such reports and informs the campus community of such incidents
  - The specific school official(s) to whom crimes should be reported
- The school's sexual assault program for prevention of sexual offenses and for reporting the incidence of sexual offenses which:
  - Promotes the awareness of certain sex offenses
  - Identifies individual(s) to be contacted in the event of a sex offense
  - Provides information on and assistance in reporting sex offenses to police
  - Stresses the importance of preserving evidence
  - Identifies on- and off-campus counseling services
  - Describes options for changing a victim's academic and living situation
  - Explains procedures for campus disciplinary action of alleged sex offenses

Programs for students and employees regarding:

- Campus security procedures
- Crime prevention
- Drug and alcohol abuse

Statistics regarding the on-campus occurrence of:

- Murder,* rape,* forcible* and nonforcible sex offenses, robbery, aggravated assault,* burglary, and motor-vehicle theft
- Arrests for liquor-law, drug-abuse, and weapons violations*

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* For each of these crimes, statistics should also indicate whether there is evidence of prejudice based on race, religion, sexual orientation or ethnicity in accordance with the Hate Crime Statistics Act

In collecting and reporting its on-campus crimes, a school must use definitions that are contained in Appendix E to the Student Assistance General Provisions.

Two sets of on-campus crime statistics, each with different reporting periods, must be reported. Statistics on:

1. Arrests for liquor-law, drug-abuse, and weapons violations must cover the calendar year that precedes the year when the report is issued.

   For the security report due on September 1, 1995, the information is from the 1994 calendar year;

2. The occurrence of murder, rape, (forcible or nonforcible) sex offenses, robbery, aggravated assault, burglary, and motor-vehicle theft must cover the three calendar years that precede the year when the report is issued.

   a. For the security report due on September 1, 1995, the information is from the 1992, 1993, and 1994 calendar years.

   b. However, the school's statistics on forcible or nonforcible sex offenses for the 1992 calendar year need only include those crimes that occurred on or after August 1, 1992 unless the school has sex offense data for the entire year. The school's statistics on rape must include periods prior to August 1, 1992.

The school's annual security report must be distributed to all current and prospective employees and students. A prospective student or employee is any individual who has requested information regarding admission to or employment with the school.

Current students and employees must be given a full copy of the report. Prospective students and employees may be given a summary of the report's information if the school also provides information regarding the availability of the full report, and how it may be obtained.

A school must notify the campus community in a timely manner of any murder, rape, (forcible and nonforcible) sex offenses, robbery, aggravated assault, burglary, and motor-vehicle theft that:

1. Occur on campus; and

2. Represent a threat to the school's students and employees.

Correspondence Programs: Institutional Eligibility Calculations

In calculating the percentages of correspondence courses and correspondence students for an award year, the following guidelines apply:

1. An entire program offered by correspondence can be considered a single course. Otherwise, a course provided by correspondence as part of an on-campus or residential program is considered as a single correspondence course.

2. A course that is offered both on campus and by correspondence is counted as two courses.

3. Regardless of the number of times the school offers a course during an award year, the course is counted only once in the calculation.

4. If the total number of telecommunication courses and correspondence courses offered by the school is more than 50 percent of the total number of courses offered during an award year, then the telecommunication courses are counted as correspondence courses.

To determine the percentage of a school's courses offered during an award year that are correspondence courses, the school performs the following calculation:

$$\frac{\text{Total number of correspondence courses offered}}{\text{Total number of courses offered}}$$

In determining the percentage of a school's regular students enrolled during any award year in correspondence courses, a regular student is counted only once, no matter how many times the student enrolls or re-enrolls. A regular student is a student who is enrolled in a program that leads to a certificate, degree, or other recognized educational credential. Count every regular student, even those enrolled less than full-time.

A student is not considered enrolled in a correspondence program until the student has completed and submitted at least one lesson. This calculation also excludes any student who:

1. Withdrew or was expelled; and
2. Received a 100 percent refund of institutional charges, minus any allowable administrative fee.

To determine the percentage of students enrolled in correspondence courses during an award year, the school performs the following calculation:

$$\frac{\text{Total number of students enrolled in correspondence courses}}{\text{Total number of students enrolled in the school}}$$

Schools must perform these calculations annually, and the calculations must be substantiated by the accountant who prepares either the school's audited financial statement or its compliance audit.

If the results of either calculation indicate that the school no longer meets the institutional eligibility requirement, the school loses its Title IV eligibility effective with the end of the award year in which the school exceeded the allowable percentage. The school is liable for any Title IV funds it disbursed after the date it lost its Title IV eligibility.

In addition, the school must inform ED by July 31 that it no longer meets the requirements of an eligible institution. This notification also applies if the school no longer qualifies for the waiver applicable to students enrolled in correspondence courses.

Students Without a High School Diploma or Its Equivalent: Institutional Eligibility Calculations

In determining what percentage of a school's regular students are without a high school diploma or its equivalent, a regular student is counted only once, no matter how many times the student enrolls or re-enrolls. This calculation also excludes any student who:

1. Withdrew or was expelled; and
2. Received a 100 percent refund of institutional charges, minus any allowable administrative fee.

For any award year, the percentage of a school's students without a high school diploma or its equivalent is calculated as follows:

$$\boxed{\frac{\text{Total number of regular students without a high school diploma or its equivalent}}{\text{Total number of regular students}}}$$

Schools must perform this calculation annually, and the calculation must be substantiated by the accountant who prepares either the school's audited financial statement or its compliance audit.

If the results of the calculation indicate that the school no longer meets the institutional eligibility requirement, the school loses its Title IV eligibility effective with the end of the award year in which the school exceeded the allowable percentage. The school is liable for any Title IV funds it has disbursed after the date it lost its Title IV eligibility.

In addition, the school must inform ED by July 31 that it no longer meets the requirements of an eligible institution. This notification also applies if the school no longer qualifies for the waiver applicable to ability-to-benefit students.

Incarcerated Students and Institutional Eligibility

If during an award year 25 percent or more of a school's regularly enrolled students are incarcerated, the school no longer meets the definition of an eligible institution. An incarcerated student is a student who is serving a criminal sentence in a federal, state, or local:

1. Penitentiary;
2. Prison;
3. Jail;
4. Reformatory;
5. Work farm; or
6. Other similar type of correctional institution.

A student is *not* considered to be incarcerated if the student:

1. Is serving in a half-way house or under home detention; or
2. Is sentenced to serve only weekends.

In determining the percentage of incarcerated regular students, a student is counted as being enrolled only once during the award year. This calculation also excludes any student who:

1. Withdrew or was expelled; and
2. Received a 100 percent refund of institutional charges, minus any allowable administrative fee.

The percentage of a school's incarcerated regular students for an award year is calculated as follows:

$$\boxed{\frac{\text{Total number of incarcerated regular students}}{\text{Total number of regular students}}}$$

Schools must perform this calculation annually, and the calculation must be substantiated by the accountant who prepares either the school's audited financial statement or its compliance audit.

If the results of the calculation indicate that the school no longer meets the institutional eligibility requirement, the school loses its Title IV eligibility effective with the end of the award year in which the school exceeded the allowable percentage. The school is liable for any Title IV funds it has disbursed after the date it lost its Title IV eligibility.

In addition, the school must inform ED by July 31 that it no longer meets the requirements of an eligible institution. This notification also applies if the school no longer qualifies for the waiver applicable to regularly enrolled incarcerated students.

This limitation on the number of regularly enrolled incarcerated students may be waived for nonprofit schools that offer two-year associate degree and/or four-year bachelor's degree programs.

If all of the school's programs are two-year associate degree and/or four-year bachelor degree programs, the waiver applies to the entire school.

However, if the school offers other types of educational programs, the waiver extends to the school's other programs only if at least 50 percent of the incarcerated regular students complete the programs.

For any award year, to obtain the completion rate of a school's incarcerated regular students enrolled in educational programs other than an associate or a bachelor's degree program, the school must:

(1) Calculate:

Number of incarcerated regular students enrolled in the other programs
– Number of students who withdraw/are expelled and receive a 100% refund
– Number of students still enrolled at the end of the award year

= Number of incarcerated regular students not enrolled at the end of the award year

(2) Determine the number of regular incarcerated students who obtained a degree, certificate, or other recognized education credential.

(3) Calculate:

$$\frac{\text{Number of students in (2)}}{\text{Number of incarcerated regular students not enrolled at the end of the award year in the other programs}}$$

Additional Requirements Applicable to a School's Use of a Third-Party Servicer

Eligibility of a Third-Party Servicer to Contract With Schools

A school may not contract with a particular third-party servicer to administer any aspect of its participation in a Title IV program if any of the following conditions exist:

1. Within the preceding five years, that servicer:

    a. Failed to submit required audit reports in a timely manner; or

    b. Has been limited, suspended, or terminated by ED. Special conditions apply to a servicer that was terminated. These conditions are described in Section 668.25(d)(2) of the Student Assistance General Provisions regulations.

2. During the servicer's two most recent Title IV audits, the servicer was required to repay an amount that was greater than 5 percent of the Title IV funds it administered for any award year.

An individual or organization that does not meet any of the above prohibitions may contract with a school to administer the school's participation in the Title IV programs, but only to the extent that the servicer's eligibility to administer a Title IV program has not been limited, suspended, or terminated by ED.

In the contract that a school must establish with a third-party servicer, the servicer must agree to:

1. Comply with all requirements governing the administration of the Title IV programs, including the requirement to use Title

IV program funds and any earnings on those funds solely for the purposes specified and in accordance with that program;

2. Refer to ED's Office of Inspector General any information that indicates the school may be engaged in fraud or other criminal misconduct in administering the Title IV programs;

3. Be jointly and severally liable with the school for the servicer's violations of Title IV program requirements;

4. Confirm the student's eligibility before disbursing or delivering Title IV funds, if the servicer disburses Title IV funds or delivers Federal Stafford Loan proceeds;

5. Calculate and pay any refund or repayment due according to regulatory requirements, if the servicer disburses Title IV funds or delivers Federal Stafford Loan proceeds; and

6. Return all Title IV funds and records used in administering the Title IV programs if:

    a. The servicer or school terminates the contract; or

    b. The servicer stops providing services, goes out of business, or files for bankruptcy.

These are minimum regulatory requirements applicable to any third-party servicer contract. Although a school is jointly and severally liable for any of its servicer's violations of Title IV requirements, the school may indemnify—that is, compensate—its servicer for any payment of liabilities the servicer must make to ED.

Compliance Audit Requirements Applicable to a School's Third-Party Servicer

A third-party servicer must have a full compliance audit conducted annually of all activities it performs or is required to perform in administering a school's participation in the Title IV programs. If an audit finding results in the payment of a liability by the servicer, the school also is held responsible until the liability has been paid.

Furthermore, since the school is always responsible for the actions of its third-party servicer, violations of Title IV requirements by its servicer may subject the school to:

1. An emergency action;
2. The imposition of a fine; or
3. The limitation, suspension, or termination of its Title IV eligibility by ED.

The third-party servicer also may be subject to these penalties for its violation of Title IV requirements.

Written Agreements Between Schools

Under certain conditions a school, without jeopardizing its eligibility to participate in the Title IV programs, may enter into an agreement with an institution that is not eligible for Title IV participation to provide a portion of a student's educational program. The school cannot enter into an agreement with an ineligible school or organization that:

1. Was terminated by ED; or
2. Withdrew from the Title IV programs under a proceeding initiated by:
    a. ED; or
    b. The institution's state licensing agency, accrediting agency, guaranty agency, or State Postsecondary Review Entity.

The portion of the student's program that the ineligible institution may provide is limited to 25 percent of the student's program. However, the ineligible institution may provide up to 50 percent of the student's program if:

1. The school and the ineligible institution are not owned or controlled by the same entity; and
2. The agreement to provide a portion of the student's educational program is approved by the school's:
    a. Nationally recognized accrediting agency; or
    b. Recognized state agency, if the school is a postsecondary vocational educational institution.

Regardless of whether the other institution is eligible or ineligible, the school must give credit to the student for the work completed at the other institution on the same basis as if the school had provided the courses itself.

That is, if the grade(s) the student received for the course work completed at the other institution would count for credit at the school, the school must give the student credit for the completed course work. The school, however, is not required to factor into the student's grade point average any grades the student received from the other institution.

Schools should note that under the Federal Pell Grant Program additional requirements apply to written agreements between *eligible* institutions. If the student is eligible for a Federal Pell Grant, the written agreement must indicate which school is responsible for paying the grant. The school assuming responsibility for payment of the Federal Pell Grant also must retain all records related to the student's eligibility and receipt of the grant.

SESSION #3

Calculation of Federal Pell Grant Awards

Session Objectives

- Trainees will be able to:

    1. Identify the factors used in determining the amount of a student's Federal Pell Grant award;
    2. Identify the different formula types used for calculating Federal Pell Grants;
    3. Explain the steps in calculating Federal Pell Grants; and
    4. Describe variations in the calculation of Federal Pell Grants.

Sources for Further Study

- Federal Register, November 1, 1994 (final Federal Pell Grant Regulations)
- Federal Student Financial Aid Handbook, Chapter 4

INTRODUCTION

Federal Pell Grant awards for the 1995-96 award year range between $400 and $2,340. Award levels within the minimum and maximum award limits are determined by schools, using Federal Pell Grant Payment and Disbursement Schedules issued by the Department of Education (ED).

The annual award is:

1. The Federal Pell Grant amount a full-time student would receive under the Payment Schedule for a full academic year; or

2. The amount that a three-quarter-time, half-time, or less-than-half-time student would receive under the appropriate Disbursement Schedule for a full academic year.

The amount of a student's Federal Pell Grant depends upon the factors outlined in the following chart.

FACTORS DETERMINING THE AMOUNT OF FEDERAL PELL GRANT AWARDS

- Amount of student's 9-month expected family contribution (EFC)*
- Amount of student's cost of attendance (COA) for an academic year
- Student's enrollment status
- Length of student's period of enrollment
- School's definition of the academic year for the student's program of study

* For the 1995-96 award year, the student's 9-month EFC must be equal to or less than $2,140.

In order to pay a Federal Pell Grant, the school must receive a valid Student Aid Report (SAR) or a valid Institutional Student Information Record (ISIR). The ISIR may be a paper document, or an electronic or magnetic record transmitted to the school by the CPS.

A SAR or ISIR is "valid" if the information the CPS used to calculate the EFC was accurate and complete as of the date the student's application was signed. Any corrections must reflect accurate information. A professional judgment adjustment also must be based on accurate applicant data.

Beginning with the 1995-96 award year, neither the SAR nor ISIR need be signed. However, the student's application must be signed by the student, and, if dependent, by at least one parent. If corrections are made, the documentation on which the corrections were based also must contain the appropriate signatures.

If a school transmits *any* applicant data during the 1995-96 award year through the Electronic Data Exchange (EDE) to the CPS, the school must provide the student with a copy of the resulting ISIR.

1995-96 will be the last award year in which the CPS will print paper payment vouchers with SARs. Beginning with the 1996-97 award year, all Federal Pell Grant payment information must be submitted to ED in magnetic or electronic format.

CALCULATING FEDERAL PELL GRANT AWARDS

One of five formulas is used to calculate the student's Federal Pell Grant award and payments. The choice of formula depends upon the structure and length of the student's program of study.

For term-based programs, the Federal Pell Grant Program distinguishes between programs using standard or nonstandard terms. A standard term is defined as a semester, a trimester, or a quarter.

Formula 1: A standard-term, credit-hour program.

1. At least 12 credit hours are required each term in the award year for full-time status;
2. The terms do not overlap;
3. The program uses an academic calendar that includes:
    a. Two semesters or trimesters (fall and spring); or
    b. Three quarters (fall, winter, and spring).
4. The terms in the academic year equal:
    a. At least 30 weeks of instructional time; or

b. At least 26 or more weeks of instructional time if the program has been granted an ED waiver of the minimum 30-week academic year requirement.

Formula 2: A standard-term, credit-hour program.

1. At least 12 credit hours are required each term in the award year for full-time status;

2. The terms do not overlap;

3. The program uses an academic calendar that includes:

   a. Two semesters or trimesters (fall and spring); or

   b. Three quarters (fall, winter, and spring).

4. The terms in the academic year equal fewer than 30 weeks, and the program *was not granted an ED waiver* of the minimum 30-week academic year requirement.

Formula 3: Any term-based, credit-hour program.

1. If an intersession is offered between two semesters, quarters, or trimesters, the student's Federal Pell Grant award and payments may be calculated:

   a. Under Formula 1 and Formula 2; or

   b. Under Formula 3.

2. To apply Formula 1 or Formula 2 to a semester-, trimester-, or quarter-based program using an intersession:

   a. The intersession must be added to one of the standard terms;

b. The resulting standard terms must meet all other Formula 1 or Formula 2 requirements;

c. The student's hours in the intersession must be used in determining the student's enrollment status for the payment period of the combined terms; and

d. All students enrolled in the same program must be treated in the same way.

Formula 4: A clock-hour program, or a credit-hour program without terms.

Formula 5: A correspondence component of a program of study offered by correspondence. (If a student is enrolled in a period of residential training, or in a combination of regular and correspondence course work, the student's payment is calculated according to Formula 3 or Formula 4.)

There are five basic steps in each formula:

1. Determine enrollment status;
2. Calculate the Federal Pell Grant COA;
3. Determine the annual award;
4. Determine the payment periods; and
5. Calculate the payment for a payment period.

STEPS IN CALCULATING FEDERAL PELL GRANT AWARDS

Formula 1: Standard-Term, Credit-Hour Programs

30 weeks of instructional time or ED waiver applies

- Enrollment for at least 12 credit hours each term required for full-time status
- Program terms do not overlap
- Academic calendar includes:
  - 2 semesters/trimesters (fall and spring); or
  - 3 quarters (fall, winter, and spring)
- Fall through spring terms equal at least 30 weeks of instructional time, or at least 26 weeks of instructional time if the program was granted a waiver of the minimum 30-week academic year requirement

STEP 1: Determine Enrollment Status

- Full-time, 3/4-time, 1/2-time, or less than 1/2-time

STEP 2: Calculate Federal Pell Grant COA

- Full-time, full academic-year costs

STEP 3: Determine Annual Award

- If the student's enrollment status is full-time, the annual award is taken from the full-time Payment Schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less than 1/2-time, the annual award is taken from the appropriate part-time Disbursement Schedule.

STEP 4: Determine Payment Periods

- Payment period is the academic term

STEP 5: Calculate Payment for a Payment Period

- For each payment period:

$$\frac{\text{Annual award}}{\text{Number of payment periods in the program's definition of AY}}$$

Formula 1: Standard-Term, Credit-Hour Programs with At Least 30 Weeks of Instructional Time

Unless ED has granted the program a waiver of the minimum 30-week academic year requirement, the academic calendar never can be fewer than 30 weeks.

Step 1: Determine Enrollment Status

For each payment period (term), the school must determine if the student is full-time, three-quarter-time, half-time, or less than half-time. The student's enrollment status:

1. Dictates the cost components used to calculate the student's Federal Pell Grant COA;
2. Establishes which Payment or Disbursement Schedule is used to determine the student's annual award; and
3. Is based on the number of credit hours for which the student is enrolled each term.

A school may establish its own standards for determining enrollment status; however, a school's standards must:

1. Meet the minimum regulatory requirements; and
2. Be applied consistently to all students enrolled in the same program of study.

The school's academic standard may differ from the enrollment standard used by the financial aid office for Title IV purposes.

Example: A school defines full-time as six hours during the summer; however, the financial aid office uses 12 hours as full-time for all terms including the summer.

ENROLLMENT STATUS CLASSIFICATIONS – MINIMUM REGULATORY REQUIREMENTS*

Enrollment Status	Standard-Term, Credit-Hour Programs	Nonstandard-Term & Nonterm Credit-Hour Programs	Clock-Hour Programs
Full-time	12 semester or quarter hours per term	24 semester hours or 36 quarter hours per academic year, or the prorated equivalent for a program of less than one academic year	24 clock hours per week
3/4-time	9 semester or quarter hours per term		
1/2-time	6 semester or quarter hours per term		
Less than 1/2-time	Less than 1/2 the workload of the minimum full-time requirement		

*This chart does not apply to programs of study that are offered by correspondence.

RULES FOR DETERMINING ENROLLMENT STATUS WHEN STUDENT IS ENROLLED IN REGULAR AND CORRESPONDENCE COURSE WORK

Enrollment Status	Number of Credit Hours		Total Course Load to Determine Enrollment Status
	Regular Course Work	Correspondence Course Work	
Full-time	6	6	12
3/4-time	6	3	9
1/2-time	3	9	6
	3	6	6
	3	3	6
	2	6	6
Less than 1/2-time	Any combination of regular and correspondence course work greater than 0, but less than 6 credit hours		< 6

Step 2: Calculate Cost of Attendance

The components used to calculate a student's Federal Pell Grant cost of attendance (COA) are:

1. Identical to those used to calculate COA for the campus-based, FFEL, and Direct Loan programs; and
2. Always based on costs that a full-time student would incur for a full academic year.

If the student is enrolled less than half-time, only those cost components allowable for less-than-half-time enrollment may be included in the Federal Pell Grant COA. Additional restrictions apply to students who are incarcerated or enrolled in correspondence courses.

The following charts list the COA components and other requirements.

COA COMPONENTS [1]

As Specified By Law

Components	Amount Allowed
Tuition and fees	Amount normally assessed students with the same workload. Includes mandatory fees and costs for rental or purchase of equipment.[2]
Room and board	Minimum allowance: $1,500 if student has no dependents and is living with parents; actual or average if without dependents and living in institutionally-owned housing; and $2,500 for all others.
Books, supplies, transportation, and miscellaneous expenses	Determined by school.
Dependent care for independent students	Actual or average amount determined by school. May not exceed the lesser of the costs the student is expected to incur or the costs of such care in student's community.[3]
Disability-related	Determined by school. May not include costs covered by other assisting agency.[4]
Study abroad	Determined by school.
Cooperative education program employment-related expenses	Determined by school.
Loan fees, origination fees, or insurance premiums charged to students or parents on a Title IV, federal, or other conventional student loan	Actual or average amount determined by school.

1 For Federal Pell Grant Program, all components of the COA are based on costs for a full-time student for a full academic year.

2 For telecommunication courses, may not include costs of renting or purchasing equipment.

3 May be for one or more dependents and include time student is in class, studying, doing field work, in an internship, or commuting.

4 May include costs for special services, personal assistance, transportation, equipment, and supplies.

OTHER STATUTORY COA REQUIREMENTS

Components	Enrollment At Least Half-Time	Enrollment Less Than Half-time	Correspondence Study	Incarcerated Students*
Tuition and fees	Yes	Yes	Yes	Yes
Room and board	Yes	No	Only for required period of residential training	No
Books, supplies, transportation, and miscellaneous expenses	Yes	Only books, supplies and transportation	For required period of residential training: books, supplies and travel	Only books and supplies related to course of study
Dependent care	Yes	Yes	No	No
Disability-related	Yes	No	No	No
Study abroad	Yes	No	No	No
Cooperative education program employment-related expenses	Yes	No	No	No
Loan fees, origination fees, or insurance premiums charged to students or parents on a Title IV, federal, or other conventional student loan	Yes	No	No	No

*** Incarcerated students in federal or state penal institutions are ineligible to receive any Federal Pell Grant assistance.**

Step 3: Determine the Annual Award

The annual award is the amount of a Federal Pell Grant for a full academic year that:

1. A full-time student would receive under the full-time Payment Schedule; or

2. A three-quarter-time, half-time, or less-than-half-time student would receive under the appropriate part-time Disbursement Schedule.

The annual award from the full-time Payment Schedule is also called the Scheduled Award. The Scheduled Award:

1. Is the amount of a Federal Pell Grant a full-time student may receive for a full academic year;

2. Represents the student's maximum award for an academic year; and

3. Changes only if there is a change in the student's Federal Pell Grant COA or nine-month EFC.

Step 4: Determine the Payment Periods

The program's academic year is divided into payment periods. The payment period determines:

1. When Federal Pell Grant funds are disbursed; and

2. The exact amount to be disbursed.

For standard-term, credit-hour programs, the payment period is the term.

Step 5: Calculate the Payment for a Payment Period

For some students, the total disbursements for all payment periods will equal the amount of the Scheduled Award. However, the aid administrator will not be able to pay the full amount of the Scheduled Award under Formula 1 if:

1. A student is enrolled less than full-time;

2. A student does not attend all terms within the academic year; or

3. A transfer student has used part of his or her award at another school during the award year.

A student may receive a Federal Pell Grant payment only for those terms in which the student is enrolled. To calculate a student's payment for the term, the school uses:

1. The annual award (or Scheduled Award) from the full-time Payment Schedule, if the student enrolled full-time; or

2. The annual award from the Disbursement Schedule that matches the student's enrollment status, if the student is enrolled less than full-time.

The annual award amount is then divided by the number of payment periods in the program's academic year. This amount is the payment for any payment period (term) in the award year.

The sum of the expected disbursements for all payment periods in the award year equals the amount of the student's Federal Pell Grant award for the award year.

If the school offers a summer term in addition to the fall through spring terms, the school may choose to distribute the annual award over all the terms. That is, the annual award is divided by the number of terms in the award year.

However, if the school chooses this alternate calculation:

1. The aid administrator must define full-time enrollment during the summer as at least 12 credit hours;

2. The alternate calculation must be used for all students enrolled in the same program of study;

3. The number of weeks of instructional time in the program's academic year is increased to include the number of weeks in the summer term; and

4. The Federal Pell Grant COA must include the costs for the additional term.

The number of credit hours for the additional term also may be included in the academic year defined for the student's program.

If the school does not choose to use the alternate calculation and calculates the payment for the summer term using Formula 1, the school must ensure that the amount of Federal Pell Grant funds that the student receives for the award year does not exceed the Scheduled Award.

STEPS IN CALCULATING FEDERAL PELL GRANT AWARDS

Formula 2: Standard-Term, Credit-Hour Programs

Fewer than 30 weeks of instructional time and ED waiver does not apply

- ♦ Enrollment for at least 12 credit hours each term required for full-time status
- ♦ Program terms do not overlap
- ♦ Academic calendar includes:
  - 2 semesters/trimesters (fall and spring); or
  - 3 quarters (fall, winter, and spring)
- ♦ Fall through spring terms are less than 30 weeks of instructional time and the program was not granted a waiver of the minimum 30-week academic year requirement

STEP 1: Determine Enrollment Status

- ♦ Full-time, 3/4-time, 1/2-time, or less than 1/2-time

STEP 2: Calculate Federal Pell Grant COA

(1) Full-time, full-year costs for tuition, fees, books, supplies, loan fees, loan origination fees, and loan insurance premiums

- ♦ Full-time, full-year costs for room, board, transportation, miscellaneous personal, dependent care, study abroad, disability-related, and employment-related cooperative education program expenses must be prorated upward to obtain costs for full academic year (AY) according to the following formula:

$$(2)\quad \text{Costs} \times \frac{\text{Weeks of instructional time in program's definition of AY}^*}{\text{Weeks of instructional time in the fall through spring terms}}$$

- **COA = (1) + (2)**

*within statutory requirements

STEP 3: Determine Annual Award

- ♦ If the student's enrollment status is full-time, the annual award is taken from the full-time Payment Schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less than 1/2-time, the annual award is taken from the appropriate part-time Disbursement Schedule.

STEP 4: Determine Payment Periods

- ♦ Payment period is the academic term

STEP 5: Calculate Payment for a Payment Period

- ♦ Proration required
- ♦ For each payment period:

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in the fall through spring terms}}{\text{Weeks of instructional time in program's definition of AY}^*} \div \begin{matrix}\text{2 (if semesters or trimesters)}\\ \text{OR}\\ \text{3 (if quarters)}\end{matrix}$$

OR

$$\text{Annual award} \div \text{number of terms in the award year}$$

*within statutory requirements

Formula 2: Standard-Term, Credit-Hour Programs With Fewer than 30 Weeks of Instructional Time

Step 1: Determine Enrollment Status

For each payment period (term), the school must determine if the student is full-time, three-quarter-time, half-time, or less than half-time. The student's enrollment status:

1. Dictates the cost components used to calculate the student's Federal Pell Grant COA;
2. Establishes which Payment or Disbursement Schedule is used to determine the student's annual award; and
3. Is based on the number of credit hours for which the student is enrolled each term.

A school may establish its own standards for determining enrollment status; however, a school's standards must:

1. Meet the minimum regulatory requirements; and
2. Be applied consistently to all students enrolled in the same program of study.

The school's academic standard may differ from the enrollment standard used by the financial aid office for Title IV purposes.

Example: A school defines full-time as six hours during the summer; however, the financial aid office uses 12 hours as full-time for all terms including the summer.

The charts on Page TG 3-8 (Enrollment Status Classifications—Minimum Regulatory Requirements) and Page TG 3-9 (Rules For Determining Enrollment Status When Student Is Enrolled in Regular and Correspondence

Course work) list the minimum regulatory requirements for determining enrollment status classifications.

Step 2: Calculate Cost of Attendance

The components used to calculate a student's Federal Pell Grant COA are:

1. Identical to those used to calculate COA for the campus-based, FFEL, and Direct Loan programs; and

2. Always based on costs that a full-time student would incur for a full academic year.

The chart on Page TG 3-11 (COA Components) lists the components that may be used to calculate cost of attendance.

If the student is enrolled less than half-time, only those cost components allowable for less-than-half-time enrollment may be included in the Federal Pell Grant COA. Additional restrictions apply to students who are incarcerated or enrolled in correspondence courses. The chart on Page TG 3-12 (Other Statutory COA Requirements) describes these COA restrictions.

Since the student's period of enrollment for the fall through spring terms is shorter than the statutory definition of an academic year in weeks of instructional time, those costs related to the number of weeks of instructional time must be prorated in order to obtain the costs for a full academic year.

The costs that must be prorated are the full-time, full-year costs for room, board, transportation, miscellaneous personal, dependent care, study-abroad, disability-related, and employment-related cooperative education program expenses. These costs are prorated using the following formula:

$$\text{Costs} \times \frac{\text{Weeks of instructional time in program's definition of AY}^{*}}{\text{Weeks of instructional time in fall through spring terms}}$$

**within statutory requirements*

No proration is required of the full-time, full-year costs for tuition, fees, books, supplies, loan fees, loan origination fees, and loan insurance premiums.

The student's Federal Pell Grant COA is the sum of:

1. The full-time, full-year costs for tuition, fees, books, supplies, loan fees, loan origination fees, and loan insurance premiums; and

2. The prorated costs for the other COA components.

PRORATING COA: STANDARD-TERM, CREDIT-HOUR PROGRAM

Example

- A school's academic calendar consists of two 14-week semesters, fall semester and spring semester. In order to be considered full-time, a student must enroll for at least 12 credit hours a semester. The terms of the school's academic program do not overlap. The school was not granted a waiver of the minimum 30-week academic year requirement for any of its academic programs.

- A student eligible for a Federal Pell Grant is enrolled for two 14-week semesters (fall and spring). The school defines the academic year for the student's program as 24 semester hours and 30 weeks of instructional time. The school has determined that the student's full-time costs for the two semesters include $2,500 tuition and fees, $6,000 room and board, $450 books and supplies, $250 transportation, $1,200 dependent care, and $600 miscellaneous personal expenses.

- No proration is required of the full-time, full-year costs for tuition, fees, books, and supplies.

$2,500 tuition and fees
+ 450 books and supplies
= $2,950 total

= $2,950 tuition, fees, books, and supplies

- Since the number of weeks of instructional time in the fall and spring semesters is shorter than the statutory definition of an academic year, the school must prorate the student's costs for room, board, transportation, dependent care, and miscellaneous personal expenses as follows:

$6,000 room and board
+ 250 transportation
+ 1,200 dependent care
+ 600 miscellaneous personal expenses
= $8,050 total

$$\$8{,}050 \quad \times \quad \frac{\text{30 weeks of instructional time in academic year}}{\text{28 weeks of instructional time in 2 semesters}}$$

= $8,625 prorated room, board, transportation, dependent care, and miscellaneous personal expenses

- The Federal Pell Grant COA for an academic year is $2,950 + $8,625 = $11,575.

Step 3: Determine the Annual Award

The annual award is the amount of a Federal Pell Grant for a full academic year that:

1. A full-time student would receive under the full-time Payment Schedule; or
2. A three-quarter-time, half-time, or less-than-half-time student would receive under the appropriate part-time Disbursement Schedule.

The annual award from the full-time Payment Schedule is also called the Scheduled Award. The Scheduled Award:

1. Is the amount of a Federal Pell Grant a full-time student may receive for a full academic year;
2. Represents the student's maximum award for an academic year; and
3. Changes only if there is a change in the student's Federal Pell Grant COA or nine-month EFC.

Step 4: Determine the Payment Periods

The program's academic year is divided into payment periods. The payment period determines:

1. When Federal Pell Grant funds are disbursed; and
2. The exact amount to be disbursed.

For standard-term, credit-hour programs, the payment period is the term.

Step 5: Calculate the Payment for a Payment Period

For some students, the total disbursements for all payment periods will equal the amount of the Scheduled Award. However, the aid administrator will not be able to pay the full amount of the Scheduled Award under Formula 2 if:

1. A student is enrolled less than full-time;

2. A student does not attend all terms within the academic year (in Formula 2, a student would have to enroll for more than two semesters or trimesters, or three quarters, to receive all of the Scheduled Award); or

3. A transfer student has used part of his or her award at another school during the award year.

A student may receive a Federal Pell Grant payment only for those terms, or payment periods, in which the student is enrolled. To calculate a student's payment for the term, the school uses:

1. The annual award (or Scheduled Award) from the full-time Payment Schedule, if the student is enrolled full-time; or

2. The annual award from the Disbursement Schedule that matches the student's enrollment status, if the student is enrolled less than full-time.

Since the fall through spring terms total less than 30 weeks of instructional time and are shorter than the statutory definition of an academic year, the school must prorate the amount of the annual award as follows:

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in the fall through spring terms}}{\text{Weeks of instructional time in the program's definition of AY}^{*}}$$

**within statutory requirements*

The school then divides the prorated annual award calculated above by the number of payment periods in the program's academic year. This amount is the payment for any payment period (term) within the award year.

The sum of the expected disbursements for all payment periods in the award year equals the amount of the student's Federal Pell Grant award for the award year.

PRORATION OF SCHEDULED AWARD: STANDARD-TERM, CREDIT-HOUR PROGRAM

Example

- A school's academic calendar consists of two 14-week semesters, fall and spring. In order to be considered full-time, a student must enroll for at least 12 credit hours a semester. The terms do not overlap. None of the school's programs were granted an ED waiver of the minimum 30-week academic year requirement.
- During the award year Alan is enrolled half-time for two 14-week semesters (fall and spring). The school defines the academic year for Alan's program of study as 24 semester hours and 30 weeks of instructional time. His annual award (taken from the half-time Disbursement Schedule) is $825. Since the number of weeks of instructional time in the academic year for Alan's period of enrollment is shorter than 30 weeks, his annual award must be prorated. The payment for each payment period is calculated as follows:

$$\$825 \times \frac{\text{28 weeks of instructional time in fall and spring terms}}{\text{30 weeks of instructional time in an academic year}} \div 2 = \$385$$

If the school offers a summer term in addition to the fall through spring terms, the school may choose to distribute the annual award over all the terms. That is, the annual award is divided by the number of terms in the award year.

However, if the school chooses this alternate calculation:

1. The aid administrator must define full-time enrollment during the summer as at least 12 credit hours;

2. The alternate calculation must be used for all students enrolled in the same program;

3. The number of weeks of instructional time in the program's academic year is increased to include the number of weeks in the summer term; and

4. The Federal Pell Grant COA must include the costs for the additional term.

The number of credit hours for the additional term also may be included in the academic year defined for the student's program.

If the school does not choose to use the alternate calculation and calculates the payment for the summer term using Formula 2, the school must ensure that the amount of Federal Pell Grant funds that the student receives for the award year does not exceed the Scheduled Award.

STEPS IN CALCULATING FEDERAL PELL GRANT AWARDS

Formula 3: Any Term-Based, Credit-Hour Programs

May include those described by Formulas 1 and 2

STEP 1: Determine Enrollment Status

- ♦ Full-time, 3/4-time, 1/2-time, or less than 1/2-time

STEP 2: Calculate Federal Pell Grant COA

- ♦ Full-time, full academic year costs
- ♦ If a student's program of study or enrollment period is longer or shorter than the statutory definition of an academic year (AY), full-time full-year costs are prorated upward (or downward) using the following formulas:
  - For tuition, fees, books, supplies, loan fees, loan origination fees, and loan insurance premiums:

$$(1)\quad \text{Costs} \times \frac{\text{Hours in program's definition of AY}^{*}}{\text{Hours in AY for student's program of study}}$$

  - For room, board, transportation, miscellaneous personal, dependent care, study abroad, disability-related, and employment-related cooperative education program expenses:

$$(2)\quad \text{Costs} \times \frac{\text{Weeks of instructional time in program's definition of AY}^{*}}{\text{Weeks of instructional time in the terms to which the costs apply}}$$

  - **COA = (1) + (2)**

*within statutory requirements

STEP 3: Determine Annual Award

- ♦ If student's enrollment status is full-time, the annual award is taken from the full-time Payment Schedule (Scheduled Award). If the student's enrollment status is 3/4-time, 1/2-time, or less than 1/2-time, the annual award is taken from the appropriate part-time Disbursement Schedule.

STEP 4: Determine Payment Periods

- ♦ Payment period is the academic term.

STEP 5: Calculate Payment for a Payment Period

- ♦ For each payment period:

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in the term}}{\text{Weeks of instructional time in program's definition of AY}^{*}}$$

- ♦ A single disbursement may not exceed 50% of the annual award.

*within statutory requirements

Formula 3: Any Term-Based, Credit-Hour Programs (including those described by Formulas 1 and 2)

Step 1: Determine Enrollment Status

For each payment period (term), the school must determine if the student is full-time, three-quarter-time, half-time, or less than half-time. The student's enrollment status:

1. Dictates the cost components used to calculate the student's Federal Pell Grant COA;
2. Establishes which Payment or Disbursement Schedule is used to determine the student's annual award; and
3. Is based on the number of credit hours for which the student is enrolled each term.

If the school has standard terms (i.e., semesters, trimesters, or quarters), the school may establish its own standards for determining enrollment status; however, the school's standards must:

1. Meet the minimum regulatory requirements; and
2. Be applied consistently to all students enrolled in the same program of study.

The charts on Page TG 3-8 (Enrollment Status Classifications—Minimum Regulatory Requirements) and Page TG 3-9 (Rules For Determining Enrollment Status When Student Is Enrolled in Regular and Correspondence Course Work) list the minimum regulatory requirements for determining enrollment status classifications.

If a school's academic calendar contains nonstandard terms (i.e., terms that are not semesters, trimesters, or quarters):

1. The full-time enrollment status for the nonstandard term is determined by the following formula:

$$\text{Credit hours in the academic year} \times \frac{\text{Weeks of instructional time in the nonstandard term}}{\text{Weeks of instructional time in program's definition of AY}}$$

If the resulting number is not a whole number, it is rounded up to the next whole number.

2. The less-than-full-time status for the nonstandard term is determined using the following formula:

$$\frac{\text{Credit hours student takes in the nonstandard term}}{\text{Credit hours required for full-time status in the nonstandard term}}$$

The resulting fraction is then matched with the appropriate less-than-full-time status classification. The fraction must equal or exceed the classification. For example, two-thirds would be half-time status.

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DETERMINING ENROLLMENT STATUS: NONSTANDARD-TERM, CREDIT-HOUR PROGRAM

Example

- The academic calendar for a student's program of study consists of four 8-week terms. The school defines the program's academic year as 24 semester hours and 32 weeks of instructional time. A full-time student is expected to complete at least 24 semester hours during an academic year.
- A student enrolls for four semester hours during the first 8-week term and for six semester hours during each of the remaining 8-week terms.
- The minimum number of semester hours required for full-time status during each of the 8-week nonstandard terms is calculated as follows:

$$24 \text{ semester hours} \times \frac{8 \text{ weeks}}{32 \text{ weeks}} = 6 \text{ semester hours}$$

- The student's enrollment status for the first 8-week nonstandard term is calculated as follows:

$$\frac{4 \text{ semester hours}}{6 \text{ semester hours}} = \frac{4}{6}$$

- Thus, the student's enrollment status for the first 8-week nonstandard term is half-time.
- The student's enrollment status for each of the three remaining 8-week nonstandard terms is calculated as follows:

$$\frac{6 \text{ semester hours}}{6 \text{ semester hours}} = \frac{6}{6}$$

- Thus, the student's enrollment status for each of the three remaining 8-week nonstandard terms is full-time.

Step 2: Calculate Cost of Attendance

The components used to calculate a student's Federal Pell Grant COA are:

1. Identical to those used to calculate COA for the campus-based, FFEL, and Direct Loan programs; and
2. Always based on costs that a full-time student would incur for a full academic year.

The chart on Page TG 3-11 (COA Components) lists the components that may be used to calculate COA.

If the student is enrolled less than half-time, only those cost components allowable for less-than-half-time enrollment may be included in the Federal Pell Grant COA. Additional restrictions apply to students who are incarcerated or enrolled in correspondence courses. The chart on Page TG 3-12 (Other Statutory COA Requirements) describes these COA restrictions.

If the student's period of enrollment is shorter or longer than the statutory definition of an academic year, the student's costs must be prorated in order to obtain the costs for a full academic year.

To prorate the COA, the aid administrator must perform two calculations relating the length of the school's academic year to the length of the student's period of enrollment.

1. One calculation is used to prorate costs associated with credit hours; and
2. The other calculation is used to prorate costs associated with length of enrollment or instructional time.

The student's full-time costs are prorated as follows:

1. For tuition, fees, books, supplies, loan fees, loan origination fees, and loan insurance premiums:

$$\text{Costs} \times \frac{\text{Credit hours in program's definition of academic year}^{*}}{\text{Credit hours in student's program of study}}$$

within statutory requirements

2. For room, board, transportation, miscellaneous personal, dependent care, study-abroad, disability-related, and employment-related cooperative education program expenses:

$$\text{Costs} \times \frac{\text{Weeks of instructional time in program's definition of AY}^{*}}{\text{Weeks of instructional time in the terms to which the costs apply}}$$

within statutory requirements

The student's Federal Pell Grant COA is the sum of the prorated costs.

Step 3: Determine the Annual Award

The annual award is the amount of a Federal Pell Grant for a full academic year that:

1. A full-time student would receive under the full-time Payment Schedule; or

2. A three-quarter-time, half-time, or less-than-half-time student would receive under the appropriate part-time Disbursement Schedule.

The annual award from the full-time Payment Schedule is also called the Scheduled Award. The Scheduled Award:

1. Is the amount of a Federal Pell Grant a full-time student may receive for a full academic year;

2. Represents the student's maximum award for an academic year; and

3. Changes only if there is a change in the student's Federal Pell Grant COA or nine-month EFC.

Step 4: Determine the Payment Periods

The program's academic year is divided into payment periods. The payment period determines:

1. When Federal Pell Grant funds are disbursed; and

2. The exact amount to be disbursed.

For standard-term and nonstandard-term, credit-hour programs, the payment period is the term.

Step 5: Calculate the Payment for a Payment Period

For some students, the total disbursements for all payment periods will equal the amount of the Scheduled Award. However, the aid administrator will not be able to pay the full amount of the Scheduled Award under Formula 3 if:

1. A student is enrolled less than full-time;

2. A student does not attend all terms within the academic year; or

3. A transfer student has used part of his or her award at another school during the award year.

A student may receive a Federal Pell Grant payment only for those terms in which the student is enrolled. To calculate a student's payment for the term, the school uses:

1. The annual award (or Scheduled Award) from the full-time Payment Schedule, if the student is enrolled full-time; or

2. The annual award from the Disbursement Schedule that matches the student's enrollment status, if the student is enrolled less than full-time.

The payment for a payment period is calculated by the following formula:

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in the term}}{\text{Weeks of instructional time in program's definition of AY}^{*}}$$

**within statutory requirements*

If the payment for the payment period is greater than 50 percent of the annual award, the school must make the payment in at least two disbursements. A single disbursement may never be more than 50 percent of the annual award.

The sum of the expected disbursements for all payment periods equals the amount of the student's Federal Pell Grant award for the award year.

STEPS IN CALCULATING FEDERAL PELL GRANT AWARDS

Formula 4: Clock-Hour Programs and Credit-Hour Programs without Terms

STEP 1: Determine Enrollment Status

- ♦ At least 1/2-time or less than 1/2-time

STEP 2: Calculate Federal Pell Grant COA

- ♦ Full-time, full academic year costs
- ♦ If the academic year for student's program of study or enrollment period is longer or shorter than the statutory definition of an academic year (AY), full-time full-year costs are prorated upward (or downward) according to the following formulas:
  - For tuition, fees, books, supplies, loan fees, loan origination fees, and loan insurance premiums:

$$(1)\quad \text{Costs} \times \frac{\text{Hours in program's definition of AY}^{*}}{\text{Hours in student's program of study}}$$

  - For room, board, transportation, miscellaneous personal, dependent care, study abroad, disability-related, and employment-related cooperative education program expenses:

$$(2)\quad \text{Costs} \times \frac{\text{Weeks of instructional time in program's definition of AY}^{*}}{\text{Weeks of instructional time in the enrollment period to which the costs apply}}$$

  - **COA = (1) + (2)**

*within statutory requirements

STEP 3: Determine Annual Award

- ♦ Always taken from Full-time Payment Schedule (Scheduled Award)

STEP 4: Determine Payment Periods

For nonterm programs:

- ♦ Minimum of 2 equal payment periods required for programs shorter than an academic year, or 2 equal payment periods in each academic year for programs longer than or equal to an academic year
- ♦ Length of payment period measured in credit or clock hours
  - (1) Program shorter than an academic year:
    - Payment period = time it takes a full-time student to complete 1/2 of the program in credit or clock hours
  - (2) Program = an academic year:
    - Payment period = time it takes a full-time student to complete 1/2 of the academic year in credit or clock hours
  - (3) Program longer than an academic year:
    - First and second payment periods same as (2) above
    - Subsequent full academic years same as (2) above
    - If the remaining portion of the program is shorter than an academic year, each payment period is either 1/2 the academic year or the time it takes a full-time student to complete the remaining hours in the program, whichever is completed first.

For term-based, clock-hour programs:

- ♦ Payment period is the academic term, but extends for as long as it takes the student to complete the clock hours for which payment has been made.
- ♦ If the payment period extends into another term:
  - Subsequent payment period consists of only those hours not included in the previous term
  - Remaining clock hours are accounted for by an additional payment period at the end of the student's program of study

Steps continued on next page

Continued

STEPS IN CALCULATING FEDERAL PELL GRANT AWARDS

Formula 4: Clock-Hour Programs and Credit-Hour Programs without Terms

STEP 5: Calculate Payment for a Payment Period

- Only full-time Payment Schedule used
- For each payment period:

(1) Annual award x the lesser of:

$$\frac{\text{Weeks of instructional time for a full-time student to complete hours in program or AY}}{\text{Weeks of instructional time in program's definition of AY*}}$$

OR

One (1)

(2) The results of (1) are then multiplied by:

$$\frac{\text{Hours in a payment period}}{\text{Hours in program's definition of AY*}}$$

- A single disbursement may not exceed 50% of the annual award.

*within statutory requirements

Formula 4: Clock-Hour Programs and Credit-Hour Programs Without Terms

Step 1: Determine Enrollment Status

Schools must determine if the student is enrolled:

1. At least half-time; or
2. Less than half-time.

The student's enrollment status:

1. Dictates the cost components used to calculate the student's Federal Pell Grant COA; and
2. Is based on the number of credit or clock hours for which the student is enrolled.

A school may establish its own standards for determining enrollment status; however, the school's standards must:

1. Meet the minimum regulatory requirements; and
2. Be applied consistently to all students enrolled in the same program of study.

The charts on Page TG 3-8 (Enrollment Status Classifications—Minimum Regulatory Requirements) and Page TG 3-9 (Rules For Determining Enrollment Status When Student Is Enrolled in Regular and Correspondence Course Work) list the minimum regulatory requirements for determining enrollment status classifications.

Step 2: Calculate Cost of Attendance

The components used to calculate a student's Federal Pell Grant COA are:

1. Identical to those used to calculate COA for the campus-based, FFEL, and Direct Loan programs; and

2. Always based on costs that a full-time student would incur for a full academic year.

The chart on Page TG 3-11 (COA Components) lists the components that may be used to calculate COA.

If the student is enrolled less than half-time, only those cost components allowable for less-than-half-time enrollment may be included in the Federal Pell Grant COA. Additional restrictions apply to students who are incarcerated or enrolled in correspondence courses. The chart on Page TG 3-12 (Other Statutory COA Requirements) describes these COA restrictions.

If the student's period of enrollment is shorter or longer than the statutory definition of an academic year, the student's costs must be prorated in order to obtain the costs for a full academic year.

To prorate the COA, the aid administrator must perform two calculations relating the length of the school's academic year to the length of the student's period of enrollment.

1. One calculation is used to prorate costs associated with credit or clock hours; and

2. The other calculation is used to prorate costs associated with length of enrollment or instructional time.

A student's full-time costs are prorated using the following formulas:

1. For tuition, fees, books, supplies, loan fees, loan origination fees, and loan insurance premiums:

$$\text{Costs} \times \frac{\text{Credit/clock hours in program's definition of academic year}^{*}}{\text{Credit/clock hours in student's program of study}}$$

**within statutory requirements*

2. For room, board, transportation, miscellaneous personal, dependent care, study-abroad, disability-related, and employment-related cooperative education program expenses:

$$\text{Costs} \times \frac{\text{Weeks of instructional time in program's definition of academic year}^{*}}{\text{Weeks of instructional time in the enrollment period to which the costs apply}}$$

**within statutory requirements*

The student's Federal Pell Grant COA for the academic year is the sum of the prorated costs.

PRORATING COA: NONTERM, CLOCK-HOUR PROGRAM

Example

- **A student is enrolled in a 25-week, 750-clock-hour program, with the following costs: $3,000 tuition and fees, $2,500 room and board, $300 books and supplies, $200 transportation, and $400 miscellaneous personal expenses. (The school defines this program's academic year as 900 clock hours and 30 weeks of instructional time.)**

- In this example, the student's program of study is shorter than the statutory definition of an academic year; therefore, the school must prorate the student's Federal Pell Grant COA upward as follows:

$3,000 tuition and fees
+ 300 books and supplies
= $3,300 total

$$\$3{,}300 \quad \times \quad \frac{\text{900 clock hours in academic year}}{\text{750 clock hours in program}}$$

= $3,960 prorated tuition, fees, books, and supplies

$2,500 room and board
+ 200 transportation
+ 400 miscellaneous personal expenses
= $3,100 total

$$\$3{,}100 \quad \times \quad \frac{\text{30 weeks of instructional time in academic year}}{\text{25 weeks of instructional time in program}}$$

= $3,720 prorated room, board, transportation, and miscellaneous personal expenses

- The prorated Federal Pell Grant COA is $3,960 + $3,720 = $7,680.

Step 3: Determine the Annual Award

The annual award is the amount of a Federal Pell Grant for a full academic year that a full-time student would receive under the full-time Payment Schedule.

The annual award from the full-time Payment Schedule is also called the Scheduled Award. The Scheduled Award:

1. Is the amount of a Federal Pell Grant a full-time student may receive for a full academic year;
2. Represents the student's maximum award for an academic year; and
3. Changes only if there is a change in the student's Federal Pell Grant COA or nine-month EFC.

Step 4: Determine the Payment Periods

The program's academic year is divided into payment periods. The payment period determines:

1. When Federal Pell Grant awards are disbursed; and
2. The exact amount to be disbursed.

For nonterm programs, the school must define, in writing, the payment periods as measured in clock or credit hours. The payment periods must meet the following minimum regulatory requirements. There must be at least:

1. Two equal payment periods for programs that are shorter than an academic year; or

2. Two equal payment periods in each academic year for programs that are longer than an academic year.

If the program of study is:

1. *Shorter than an academic year,* each payment period is the period of time in which the student completes the number of credit or clock hours representing one-half of the program.

2. *Equal to, or longer than, an academic year:*

    a. Each payment period is the period of time in which the student completes the number of credit or clock hours representing one-half of the academic year.

    b. If the number of credit or clock hours to be completed in the final academic year is shorter than the academic year, each payment period is the period of time in which the student completes either one-half the academic year or the remaining hours in the program, whichever is shorter.

A school may establish more frequent payment periods for its programs of study, but the payment periods must be equal in number of credit or clock hours, except that a final payment period in a program may be shorter than the other payment periods.

The payment period ends when the student has completed all the credit or clock hours in the payment period. Since the length of a payment period (measured in weeks of instructional time) is based on what a full-time student is expected to complete, part-time students will take longer than full-time students to complete each payment period. However, for calculating a payment for a payment period, the weeks of instructional time used in the formula will remain the same.

EXAMPLES OF MINIMUM REGULATORY REQUIREMENTS FOR DETERMINING THE PAYMENT PERIOD: NONTERM PROGRAMS

Example A

✦ Andrea is enrolled in a 600-clock-hour program of study. The school defines the program's academic year as 900 clock hours and 30 weeks of instructional time.

- Since Andrea's program is shorter than an academic year, the two payment periods would be based on the length of her program in clock hours.
- Each payment period is one-half of the program, or 300 clock hours.

Example B

✦ Bill is enrolled in a 900-clock-hour program of study. The school defines the program's academic year as 900 clock hours and 30 weeks of instructional time.

- Since the length of Bill's program is equal to an academic year, the two payment periods would be based on the length of the academic year as measured in clock hours.
- Each payment period is one-half of an academic year as measured in clock hours, or 450 clock hours.

Example C

✦ Charles is enrolled in a 1,200-clock-hour program of study. The school defines the program's academic year as 900 clock hours and 30 weeks of instructional time.

- In this example, Charles' program of study is longer than one academic year, but shorter than two academic years.
- Each of the two payment periods in the first academic year is 450 clock hours.
- After the first year, less than a full academic year in clock hours remains in the program (300 clock hours).
  - The third and final payment period is the remaining 300 clock hours.

For term-based (standard or nonstandard) clock-hour programs, the payment period is the academic term. However, the student must complete all clock hours scheduled for that term before receiving any more Federal Pell Grant funds.

If a student has not completed all clock hours scheduled for a term:

1. The payment period extends beyond that term for as long as it takes the student to complete the originally-scheduled clock hours.
2. The next payment period will consist of the clock hours that were scheduled in that term minus the clock hours completed in that term that belonged to the prior term.
3. The remaining clock hours in the program or academic year will shift to an additional payment period at the end of the student's program of study.

DETERMINING PAYMENT PERIODS: TERM-BASED, CLOCK-HOUR PROGRAMS

EXAMPLE

- **A student is expected to complete a 1,200-clock-hour program over four terms, as follows:**

300 clock hours during first term
300 clock hours during second term
300 clock hours during third term
300 clock hours during fourth term

- **However, the student completes the program in the following manner:**

300 clock hours during first term
275 clock hours during second term
300 clock hours during third term
300 clock hours during fourth term
25 clock hours during fifth term

Total 1,200 clock hours

- **In this case, since the second payment period extended into the third term, the payment periods are recalculated as follows:**

1st payment period = 300 clock hours
2nd payment period = 275 clock hours
3rd payment period = 300 clock hours (no additional payment for 25 hours carried over from second term)
4th payment period = 300 clock hours
5th payment period = 25 clock hours

Step 5: Calculate the Payment For a Payment Period

For some students, the total disbursements for all payment periods will equal the amount of the Scheduled Award. However, the aid administrator will not be able to pay the full amount of the Scheduled Award under Formula 4 if:

1. The student's program of study or period of enrollment is shorter than the statutory definition of an academic year;
2. A transfer student has used part of his or her award at another school during the award year; or
3. The student is enrolled less than full-time.

For clock-hour programs or credit-hour programs without terms, only the full-time Payment Schedule is used to calculate the student's payment for a payment period.

The payment for the payment period is calculated by performing the following two calculations:

1. Annual award x **the lesser of:**

$$\frac{\text{Weeks of instructional time for a full-time student to complete hours in the program or AY}}{\text{Weeks of instructional time in program's definition of AY*}}$$

**within statutory requirements*

OR

One (1)

2. Multiply the resulting amount from the above calculation by the following fraction:

$$\frac{\text{Credit/clock hours in a payment period}}{\text{Credit/clock hours in program's AY*}}$$

**within statutory requirements*

This is the payment for a payment period.

For term-based clock-hour programs, a single disbursement may never be more than 50 percent of the annual award.

The sum of the expected disbursements for all payment periods in the award year equals the amount of the student's expected Federal Pell Grant award for the award year.

PRORATION OF SCHEDULED AWARD: NONTERM, CLOCK-HOUR PROGRAM

Example

- Drew is expected to complete a 720-clock-hour program over 24 weeks of instructional time as a full-time student. The school defines the program's academic year as 900 clock hours and 30 weeks of instructional time. Each of the payment periods for Drew's program is 360 clock hours. Drew's Scheduled Award is \$1,850. The school calculates the expected disbursement for each term as follows:

  1. First the school must determine the lesser of the two fractions to be used in the formula. In this case, the number of weeks of instructional time for a full-time student to complete the hours in the program is less than the number of weeks in the academic year. Therefore, the lesser fraction is:

$$\frac{\text{24 weeks in the program}}{\text{30 weeks in an academic year}} = \frac{4}{5}$$

$$\$1,850 \times \frac{4}{5} = \$1,480$$

  2. Since this fraction is less than 1, the school uses the \$1,480 calculated above to calculate the payment for each payment period.

$$\$1,480 \times \frac{\text{360 clock hours}}{\text{900 clock hours}} = \text{\$592 payment for each payment period}$$

- The total disbursements for the award year equal \$1,184 (i.e., \$592 times two payment periods).

STEPS IN CALCULATING FEDERAL PELL GRANT AWARDS

Formula 5A: Programs of Study by Correspondence – Nonterm Correspondence Component

STEP 1: Determine Enrollment Status

♦ Enrollment status is never more than 1/2-time

STEP 2: Calculate Federal Pell Grant COA

♦ Full-time, full academic year costs (for applicable components)

♦ If the student's program of study or enrollment period is longer or shorter than the program's definition of an academic year (AY), full-time costs are prorated upward (or downward) according to the following formula:

- For tuition and fees:

$$\text{Costs} \times \frac{\text{Hours in program's definition of AY}^{*}}{\text{Hours in student's program of study}}$$

*within statutory requirements

STEP 3: Determine Annual Award

♦ Annual award taken from 1/2-time Disbursement Schedule

STEP 4: Determine Payment Periods

♦ First payment period is the period of time in which the student completes the lesser of the first 1/2 of the academic year or the first 1/2 of the program. (1st payment may be made only after the student has completed 25% of lessons or otherwise completed 25% of the work scheduled, whichever comes last.)

♦ Second payment period is the period of time in which the student completes the lesser of the second 1/2 of the academic year or the first 1/2 of the program. (2nd payment may be made only after 75% of lessons have been submitted or otherwise completed 75% of the work scheduled, whichever comes last.)

STEP 5: Calculate Payment for a Payment Period

♦ Multiply annual award from 1/2-time Disbursement Schedule by lesser of:

(1) $$\frac{\text{Weeks of instructional time to complete the lesser of program or AY}}{\text{Weeks of instructional time in program's definition of AY}^{*}}$$

OR

One (1)

(2) The results of (1) are then multiplied by:

$$\frac{\text{Hours in the payment period}}{\text{Hours in program's AY}}$$

*within statutory requirements

Formula 5: Programs of Study by Correspondence

Formula 5 must be used to calculate the Federal Pell Grant award for a student enrolled only in a correspondence study component. (Formula 3 or 4 must be used if the student is enrolled in a required period of residential training.)

For nonterm correspondence programs, the number of weeks of instructional time in the program's academic year is equal to the number of weeks in the written schedule for the submission of lessons. Each week must reflect a workload of at least 12 hours of preparation by the student.

Step 1: Determine Enrollment Status

A student enrolled only in a correspondence component of a nonterm academic program is always considered to be enrolled half-time for purposes of calculating the student's Federal Pell Grant award and payments.

Step 2: Calculate Cost of Attendance

The costs used to calculate the Federal Pell Grant COA for a correspondence component are:

1. Restricted to tuition and fees; and

2. Always based on costs that the correspondence student would incur full-time for a full academic year.

If the student's period of enrollment is shorter or longer than the statutory definition of an academic year, the student's tuition and fees costs must be prorated in order to obtain the costs for a full academic year.

These costs are prorated using the following formula:

$$\text{Tuition and fees} \times \frac{\text{Hours in program's definition of an academic year}^{*}}{\text{Hours in student's program of study}}$$

**within statutory requirements*

This prorated COA must be used when determining the amount of the student's annual award.

Step 3: Determine the Annual Award

The annual award for a nonterm correspondence program is the amount of a Federal Pell Grant for a full academic year that the student would receive under the half-time Disbursement Schedule. In this situation, the annual award from the half-time Disbursement Schedule:

1. Represents the student's maximum award for the academic year; and
2. Changes only if there is a change in the student's nine-month EFC.

Step 4: Determine the Payment Periods

The correspondence program's academic year is divided into payment periods. The payment period determines:

1. When Federal Pell Grant awards are disbursed; and
2. The exact amount to be disbursed.

For nonterm correspondence programs, the payment periods must meet the following minimum regulatory requirements. There must be at least two equal payment periods.

1. The first payment period is the period of time in which the student completes the lesser of the first half of:
   a. The academic year; or
   b. The student's program of study.
2. The second payment period is the period of time in which the student completes the lesser of the second half of:
   a. The academic year; or
   b. The student's program of study.

For nonterm correspondence programs, the school may not pay a student:

1. For the first payment period until the student has completed and submitted 25 percent of the lessons scheduled for that payment period; and
2. For the second payment period until the student has completed and submitted 75 percent of the lessons scheduled for that payment period.

Step 5: Calculate the Payment For a Payment Period

For a student enrolled in a nonterm correspondence program, only the half-time Disbursement Schedule is used to calculate the student's payment for a payment period.

The payment for each payment period is calculated by performing the following two calculations:

1. Annual award x **the lesser of**:

$$\frac{\text{Weeks of instructional time to complete the lesser of hours in the program or AY}}{\text{Weeks of instructional time in program's definition of AY}^*}$$

**within statutory requirements*

OR

One (1)

2. Multiply the resulting amount from the above calculation by the following fraction:

$$\frac{\text{Hours in the payment period}}{\text{Hours in program's definition of AY}^*}$$

**within statutory requirements*

This is the payment for a payment period.

The sum of the expected disbursements for all the student's payment periods equals the amount of the student's expected Federal Pell Grant award for the award year.

If the student is enrolled in a correspondence program that is term-based, the student's federal Pell Grant is calculated according to the steps outlined in the chart on the following page.

STEPS IN CALCULATING FEDERAL PELL GRANT AWARDS

Formula 5B: Programs of Study by Correspondence – Term-based Correspondence Component

- Each week of instructional time in the written schedule for the submission of lessons must reflect at least:
  - 30 hours of preparation per semester hour; or
  - 20 hours of preparation per quarter hour

STEP 1: Determine Enrollment Status

- Enrollment status may only be 1/2-time or less than 1/2-time

STEP 2: Calculate Federal Pell Grant COA

- Full-time, full academic year costs (for applicable components)
- If the student's program of study or enrollment period is longer or shorter than the program's definition of an academic year (AY), full-time costs are prorated upward (or downward) according to the following formula:
  - For tuition and fees:

$$\text{Costs} \times \frac{\text{Hours in program's definition of AY}^*}{\text{Hours in student's program of study}}$$

*within statutory requirements

STEP 3: Determine Annual Award

- If the student's enrollment status is 1/2-time or less than 1/2-time, the annual award is taken from the appropriate part-time Disbursement Schedule

STEP 4: Determine Payment Periods

- Payment period is the academic term. (Payment for the payment period may be made only after the student has completed 50% of the lessons or otherwise completed 50% of the work scheduled, whichever comes last.)

STEP 5: Calculate Payment for a Payment Period

- For each payment period:

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in the term}}{\text{Weeks of instructional time in program's definition of AY}^*}$$

*within statutory requirements

- A single disbursement may not exceed 50% of the annual award

VARIATIONS IN THE CALCULATION OF FEDERAL PELL GRANT AWARDS

Students Who Transfer Within the Award Year

A student who transfers between schools within the award year may have remaining Federal Pell Grant eligibility which may be used at the new school.

Chapter 4 of the *Federal Student Financial Aid Handbook* describes the calculations the school must perform to determine a transfer student's remaining Federal Pell Grant eligibility. These procedures remain unchanged.

Payments of a Second Scheduled Award During a Single Award Year

In general, a student may not receive more than one Scheduled Award during a single award year. However, an exception may apply to students completing the requirements of an associate or bachelor's degree program.

Beginning with the 1995-96 award year, a school may determine that a student is eligible for the payment of a second Scheduled Award if the student:

1. Is enrolled full-time:
    a. In an eligible associate or bachelor's degree program that is at least two academic years long; and
    b. Only in course work that is required to complete the student's degree requirements; and
2. Has completed at least 24 semester (or trimester) hours or 36 quarter hours during the previous payment periods of the award year.

If the number of weeks of instructional time in the previous payment periods was less than 30, the student must complete the remaining number of weeks in an academic year during the first payment period of the second Scheduled Award.

The school must document in the student's file its determination of the student's eligibility for the second Scheduled Award.

If a school makes a second Scheduled Award to one student, it also must make a second Scheduled Award to all students who qualify.

Payment Period Overlaps Two Award Years

An award year is the 12-month period between July 1 and June 30. At some schools, one of the Federal Pell Grant payment periods may fall in two different award years.

A school must designate the award year in which the overlapping payment period is placed for each Federal Pell Grant recipient. If more than six months of a payment period fall in one award year, the payment period must be placed in that award year.

If a term-based school uses multiple or mini summer sessions, the mini sessions *may* be combined into a single payment period.

Required Recalculation of Federal Pell Grant Awards

The school *always must recalculate* the award if:

1. The student's EFC changes as a result of verification, corrections to applicant data, or a professional judgment adjustment to one or more data elements used to calculate the EFC; or

2. Failure to recalculate the student's award would result in the student receiving more than the student's maximum award for the award year.

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In addition, for *term-based programs that measure progress in credit hours,* the school must recalculate the award and, if applicable, the Federal Pell Grant COA, if the student's actual or projected enrollment status changes:

1. From one payment period to the next; or

2. During a payment period, but before the student begins attendance in all classes originally scheduled for the payment period.

   The enrollment status used in the recalculation may reflect only those classes which the student actually began attending.

School Options for Recalculating Federal Pell Grants

For other circumstances, recalculation is optional. If the school elects to recalculate Federal Pell Grant awards, it must:

1. Establish a policy defining when the recalculation must be performed; and

2. Apply the policy consistently to all students.

The school *may recalculate* Federal Pell Grant awards if:

1. The student's cost of attendance changes, but not as the result of a change in enrollment status, at any time during the award year; or

2. The student changes enrollment status within a payment period after beginning attendance in all classes for which he or she has registered.

CASE STUDY 1—
MT. ADAMS UNIVERSITY

- *Standard-term, credit-hour program*
- *At least 30 weeks of instructional time (fall through spring)*

This is a two-part case study, which uses the information contained in the following case description.

1. *For Case Study 1-A , calculate the amount of the student's Federal Pell Grant for the award year based on the student's projected enrollment for the year; and then*
2. *For Case Study 1-B, recalculate the student's award based on the change in her enrollment plans.*

CASE DESCRIPTION

Allison is a dependent student enrolled at Mt. Adams University. She enrolls in 16 credit hours for the fall semester, and plans to enroll in an additional 16 credit hours for the spring semester. However, after the fall semester, but before the spring semester, her plans change, and she enrolls for only 9 credit hours in the spring semester. During the school year Allison lives in on-campus housing. Her 9-month EFC is 549.

Mt. Adams University operates on a 2-semester academic calendar (fall and spring semesters). The school defines the academic year for Allison's program as 24 semester hours and 30 weeks. The school defines full-time attendance as 12 semester hours per term. The terms do not overlap. Each semester is 15 weeks of instructional time. The University uses minimum regulatory standards for determining enrollment status.

The school charges students enrolled in Allison's program of study $175 per credit hour for tuition and $25 each semester for fees, regardless of enrollment status. School charges for room are $1,200 per semester and for board are $825 per semester. The aid administrator has established the following allowances per term: $225 for books and supplies, $250 for transportation, and $300 for miscellaneous personal expenses. The school also certified a $3,000 subsidized Federal Stafford Loan for Allison for the academic year. The school's policy is to use the actual amount of the origination fee ($90 in this case) and the insurance premium ($30 in this case) in calculating cost of attendance.

Case Study 1-A

Federal Pell Grant Calculation Worksheet

Standard-term, credit-hour programs
(Fall through spring terms equal to or greater than 30 weeks)

1. **Enrollment Status**: ☐ Full-time ☐ 3/4-time ☐ 1/2-time ☐ < 1/2-time

2. **Cost of Attendance**:
$______ Tuition and fees
+ ______ Room and board
+ ______ Books, supplies, transportation, and miscellaneous expenses
+ ______ Dependent care
+ ______ Disability-related expenses
+ ______ Study abroad
+ ______ Employment-related cooperative education program expenses
+ ______ Loan fees, loan origination fees, loan insurance premiums
= $______ **Total COA**

3. **Scheduled Award**: (from full-time Payment Schedule)(EFC_____) $______

4. **Payment Periods**: Number of payment periods in fall through spring ______

5. **Payment for a Payment Period**:

•Annual award from appropriate schedule $______
•Number of payment periods in fall through spring ÷ ______
•Payment for term (payment period) = $______

•Number of terms enrolled in award year ______
•First term expected disbursement $______
•Second term expected disbursement + ______
•Expected Federal Pell Grant for the award year = $______

Case Study 1-B

Federal Pell Grant Calculation Worksheet

Standard-term, credit-hour programs
(Fall through spring terms equal to or greater than 30 weeks)

1. **Enrollment Status**: ☐ Full-time ☐ 3/4-time ☐ 1/2-time ☐ < 1/2-time

2. **Cost of Attendance**:

	$ ________	Tuition and fees
+	________	Room and board
+	________	Books, supplies, transportation, and miscellaneous expenses
+	________	Dependent care
+	________	Disability-related expenses
+	________	Study abroad
+	________	Employment-related cooperative education program expenses
+	________	Loan fees, loan origination fees, loan insurance premiums
=	$ ________	**Total COA**

3. **Scheduled Award**: (from full-time Payment Schedule)(EFC_____) $ ________

4. **Payment Periods**: Number of payment periods in academic year ________

5. **Payment for a Payment Period**:

•Annual award from appropriate schedule $ ________

•Number of payment periods in fall through spring ÷ ________

•Payment for term (payment period) = $ ________

•Number of terms enrolled in award year ________

•First term expected disbursement $ ________

•Second term expected disbursement + ________

•Expected Federal Pell Grant for the award year = $ ________

CASE STUDY 2—
CARMICHAEL COLLEGE

- *Standard-term, credit-hour program*
- *Fewer than 30 weeks of instructional time (fall through spring)*

Using the following information, calculate the amount of the student's Federal Pell Grant for the award year.

CASE DESCRIPTION

Mike is a single independent student enrolled at Carmichael College. He enrolls in 14 credit hours for both fall and spring semesters. Mike lives in an apartment off-campus. His 9-month EFC is 801.

Carmichael College operates on a 2-semester academic year (fall and spring semesters). The school defines the academic year for Mike's program of study as 24 semester hours and 30 weeks of instructional time. The terms do not overlap. Each semester is 14 weeks of instructional time. The College uses minimum regulatory standards for determining enrollment status.

The school charges students enrolled in Mike's program of study $225 per credit hour for tuition and $15 each semester for fees, regardless of enrollment status. The aid administrator has established the following allowances per term: $3,000 for off-campus housing, $175 for books and supplies, $350 for transportation, and $400 for miscellaneous personal expenses.

Case Study 2

Federal Pell Grant Calculation Worksheet

Standard-term, credit-hour programs

(Fall through spring terms fewer than 30 weeks)

1. **Enrollment Status**: ☐ Full-time ☐ 3/4-time ☐ 1/2-time ☐ < 1/2-time
2. **Cost of Attendance**:

Tuition & fees $ ________

Books & supplies + ________

Total = $ ________ (1)

Room & board $ ________

Transportation & misc. personal + ________

Dependent care + ________

Disability-related expenses + ________

Study abroad + ________

Employment-related coop. ed. + ________

Loan fees, loan origination fees, loan insurance premiums + ________

Total = $ ________

Proration ratio* x ________

Prorated costs = $ ________ (2)

Total COA [(1) + (2)] = $ ________

$$\text{* Proration ratio} = \frac{\text{Weeks of instructional time in program's definition of AY}}{\text{Weeks of instructional time in fall through spring terms}}$$

3. **Scheduled Award**: (from full-time Payment Schedule) (EFC______) $ ________
4. **Payment Periods**: Number of payment periods in fall through spring ________
5. **Payment for a Payment Period**:

- Annual award from appropriate schedule $ ________
- Payment for each term (payment period)

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in fall through spring terms}}{\text{Weeks of instructional time in program's definition of AY}} \div \text{Number of payment periods in the award year}$$

- First term expected disbursement $ ________
- Second term expected disbursement + ________
- **Expected Federal Pell Grant for the award year** = $ ________

CASE STUDY 3—
DIVIT COLLEGE

- Nonstandard-term, credit-hour program

Using the following information, calculate the amount of the student's Federal Pell Grant for the award year.

CASE DESCRIPTION

Nancy is enrolled at Divit College whose academic calendar consists of four 8-week terms. The school defines the academic year for Nancy's program of study as 28 semester hours and 32 weeks of instructional time. The school establishes the enrollment status levels for the standard terms based on the minimum regulatory requirements.

Nancy enrolls for 4 semester hours during each of the 4 nonstandard terms.

Nancy is an independent student. She and her 80-year-old mother live in an apartment off campus. She reports that she pays $125 per week for dependent care for her mother. Her 9-month EFC is 429.

The charges for students enrolled in Nancy's program of study are: $200 per credit hour for tuition and $10 each term for fees, regardless of enrollment status. The aid administrator has established the following maximum allowances: $175 per week for off-campus housing, $125 per week for dependent care, $35 per week for transportation, $60 per week for miscellaneous personal expenses, and $75 for books and supplies for each of the nonstandard terms.

Case Study 3

Federal Pell Grant Calculation Worksheet

Nonstandard-term, credit-hour programs

1. **Enrollment Status**:

Term 1	☐ Full-time	☐ 3/4-time	☐ 1/2-time	☐ < 1/2-time
Term 2	☐ Full-time	☐ 3/4-time	☐ 1/2-time	☐ < 1/2-time
Term 3	☐ Full-time	☐ 3/4-time	☐ 1/2-time	☐ < 1/2-time
Term 4	☐ Full-time	☐ 3/4-time	☐ 1/2-time	☐ < 1/2-time

Nonstandard Term Calculation:

Full-time status: $$\text{Hours in AY} \times \frac{\text{Weeks of instructional time in nonstandard term}}{\text{Weeks of instructional time in program's definition of AY}}$$

Less than full-time status: $$\frac{\text{Hours student takes in nonstandard term}}{\text{Hours required for full-time status in nonstandard term}}$$

2. **Cost of Attendance**:

Tuition & fees $ ________
Books & supplies + ________
Total = $ ________
Proration ratio* x ________
Prorated costs = $ ________ (1)
Room & board $ ________
Transportation & misc. personal + ________
Dependent care + ________
Disability-related expenses + ________
Study abroad + ________
Employment-related coop. ed. + ________
Loan fees, loan origination fees, loan insurance fees + ________
Total = $ ________
Proration ratio** x ________
Prorated costs = $ ________ (2)
Total COA [(1) + (2)] = $ ________

$$^{*}\text{ Proration ratio} = \frac{\text{Hours in program's definition of AY}}{\text{Hours in AY for student's program of study}}$$

$$^{**}\text{ Proration ratio} = \frac{\text{Weeks of instructional time in program's definition of AY}}{\text{Weeks of instructional time in the terms to which the costs apply}}$$

Continued on next page

Continued

Case Study 3

Federal Pell Grant Calculation Worksheet
Nonstandard-term, credit-hour programs

3. **Scheduled Award**: (from full-time Payment Schedule) (EFC______) $ ____________
4. **Payment Periods**: Number of terms in award year ____________
5. **Payment for a Payment Period**:
   - •Annual award from appropriate schedule $ ____________

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in term}}{\text{Weeks of instructional time in program's definition of AY}}$$

- •First term expected disbursement $ ____________
- •Second term expected disbursement + ____________
- •Third term expected disbursement + ____________
- •Fourth term expected disbursement + ____________
- •**Expected Federal Pell Grant for the award year** = $ ____________

CASE STUDY 4—
EDGEWATER INSTITUTE

- *Nonterm program*

Using the following information, calculate the amount of the student's Federal Pell Grant for the award year.

CASE DESCRIPTION

Paul is enrolled full-time in a 600-clock-hour program at Edgewater Institute. The school defines the academic year for Paul's program of study as 900 clock hours and 30 weeks. Paul's program can be completed in 20 weeks of instructional time. Paul lives at home with his parents. His 9-month EFC is 204.

The charges for students enrolled in Paul's program of study are: $3,600 tuition, $75 registration fee, $150 books, $400 tools, and $50 supplies. The aid administrator has established the following allowances: $50 per week for room and board for students living at home with parents, $10 per week for transportation, and $20 per week for miscellaneous personal expenses.

Case Study 4

Federal Pell Grant Calculation Worksheet
Nonterm programs

1. **Enrollment Status**: ☐ Full-time ☐ < 1/2-time

2. **Cost of Attendance**:

Tuition & fees $ ________

Books & supplies + ________

Total = $ ________

Proration ratio* x ________

Prorated costs = $ ________ (1)

Room & board $ ________

Transportation & misc. personal + ________

Dependent care + ________

Disability-related expenses + ________

Study abroad + ________

Employment-related coop. ed. + ________

Loan fees, loan origination fees, loan insurance fees + ________

Total = $ ________

Proration ratio** x ________

Prorated costs = $ ________ (2)

Total COA [(1) + (2)] = $ ________

$$* \text{ Proration ratio} = \frac{\text{Hours in program's definition of AY}}{\text{Hours in student's program of study}}$$

$$** \text{ Proration ratio} = \frac{\text{Weeks of instructional time in program's definition of AY}}{\text{Weeks of instructional time in the enrollment period to which the costs apply}}$$

3. **Scheduled Award**: (from full-time Payment Schedule) (EFC _____) $ ________

4. **Payment Periods**:

- Program length in hours ________

Program length ≥ Academic year: Payment period = 1/2 x Academic year

Program length < Academic year: Payment period = 1/2 x Program length

- Payment period definition ________ hours

Continued on next page

Continued

Case Study 4

Federal Pell Grant Calculation Worksheet

Nonterm programs

5. **Payment for a Payment Period**:

(1) Scheduled award x the lesser of:

$$\frac{\text{Weeks of instructional time for a full-time student to complete hours in program or AY}}{\text{Weeks of instructional time in school's definition of AY}}$$

OR

One (1)

(2): (1) x $\frac{\text{Hours in payment period}}{\text{Hours in program's definition of AY}}$

Payments: Hours __________ to __________ \$ __________

Hours __________ to __________ + __________

Expected Federal Pell Grant for the award year = \$ __________

CASE STUDY 5—
BRAESIDE INSTITUTE

- *Nonterm correspondence program*

Using the following information, calculate the amount of the student's Federal Pell Grant for the award year.

CASE DESCRIPTION

Roger is enrolled in a 600 clock-hour correspondence program offered by Braeside Institute. The school defines the academic year for Roger's program of study as 900 clock hours and 30 weeks. The written schedule the school established for the submission of lessons requires 20 hours of preparation a week. Roger is expected to complete the program after 25 weeks. The program does not contain a required period of residential training.

Roger's 9-month EFC is 1201. The school charges for students enrolled in Roger's program of study are: $2,500 tuition and $20 for fees.

Case Study 5

Federal Pell Grant Calculation Worksheet
Nonterm correspondence programs

1. **Enrollment Status**: ☐ 1/2-time
2. **Cost of Attendance**:

Tuition & fees $ ____________

Proration ratio* x ____________

Prorated costs = $ ____________

$$\text{* Proration ratio} = \frac{\text{Hours in program's definition of AY}}{\text{Hours in student's program of study}}$$

3. **Scheduled Award**: (from 1/2-time Disbursement Schedule) (EFC _____) $ ____________
4. **Payment Periods**:

•Program length in hours ____________

Program length ≥ Academic year: Payment period = 1/2 x Academic year

Program length < Academic year: Payment period = 1/2 x Program length

•Payment period definition ____________ hours

5. **Payment for a Payment Period**:

(1) Annual award x the lesser of:

$$\frac{\text{Weeks of instructional time to complete the lesser of hours in program or AY}}{\text{Weeks of instructional time in program's definition of AY}}$$

OR

One (1)

$$\text{(2): (1)} \times \frac{\text{Hours in payment period}}{\text{Hours in program's definition of AY}}$$

Payments: Hours ____________ to ____________ $ ____________

Hours ____________ to ____________ + ____________

Expected Federal Pell Grant for the award year = $ ____________

FEDERAL PELL GRANT PROGRAM PAYMENT SCHEDULE FOR DETERMINING FULL - TIME SCHEDULED AWARDS FOR THE 1994- 95 AWARD PERIOD

	EXPECTED FAMILY CONTRIBUTION																						
COST OF EDUCATION	0 TO 0	1 TO 100	101 TO 200	201 TO 300	301 TO 400	401 TO 500	501 TO 600	601 TO 700	701 TO 800	801 TO 900	901 TO 1000	1001 TO 1100	1101 TO 1200	1201 TO 1300	1301 TO 1400	1401 TO 1500	1501 TO 1600	1601 TO 1700	1701 TO 1800	1801 TO 1900	1901 TO 2000	2001 TO 2100	2101 TO 9999
0 - 99	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
100 - 199	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
200 - 299	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
300 - 399	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
400 - 499	450	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
500 - 599	550	500	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
600 - 699	650	600	500	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
700 - 799	750	700	600	500	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
800 - 899	850	800	700	600	500	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
900 - 999	950	900	800	700	600	500	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1000 - 1099	1050	1000	900	800	700	600	500	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0
1100 - 1199	1150	1100	1000	900	800	700	600	500	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0
1200 - 1299	1250	1200	1100	1000	900	800	700	600	500	400	400	400	0	0	0	0	0	0	0	0	0	0	0
1300 - 1399	1350	1300	1200	1100	1000	900	800	700	600	500	400	400	400	0	0	0	0	0	0	0	0	0	0
1400 - 1499	1450	1400	1300	1200	1100	1000	900	800	700	600	500	400	400	400	0	0	0	0	0	0	0	0	0
1500 - 1599	1550	1500	1400	1300	1200	1100	1000	900	800	700	600	500	400	400	400	0	0	0	0	0	0	0	0
1600 - 1699	1650	1600	1500	1400	1300	1200	1100	1000	900	800	700	600	500	400	400	400	0	0	0	0	0	0	0
1700 - 1799	1750	1700	1600	1500	1400	1300	1200	1100	1000	900	800	700	600	500	400	400	400	0	0	0	0	0	0
1800 - 1899	1850	1800	1700	1600	1500	1400	1300	1200	1100	1000	900	800	700	600	500	400	400	400	0	0	0	0	0
1900 - 1999	1950	1900	1800	1700	1600	1500	1400	1300	1200	1100	1000	900	800	700	600	500	400	400	400	0	0	0	0
2000 - 2099	2050	2000	1900	1800	1700	1600	1500	1400	1300	1200	1100	1000	900	800	700	600	500	400	400	400	0	0	0
2100 - 2199	2150	2100	2000	1900	1800	1700	1600	1500	1400	1300	1200	1100	1000	900	800	700	600	500	400	400	400	0	0
2200 - 2299	2250	2200	2100	2000	1900	1800	1700	1600	1500	1400	1300	1200	1100	1000	900	800	700	600	500	400	400	400	0
2300 + 9999	2300	2250	2150	2050	1950	1850	1750	1650	1550	1450	1350	1250	1150	1050	950	850	750	650	550	450	400	400	0

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FEDERAL PELL GRANT PROGRAM DISBURSEMENT SCHEDULE
FOR DETERMINING THREE - QUARTER - TIME ANNUAL AWARDS
FOR THE 1994- 95 AWARD PERIOD

EXPECTED FAMILY CONTRIBUTION

COST OF EDUCATION	0 TO 0	1 TO 100	101 TO 200	201 TO 300	301 TO 400	401 TO 500	501 TO 600	601 TO 700	701 TO 800	801 TO 900	901 TO 1000	1001 TO 1100	1101 TO 1200	1201 TO 1300	1301 TO 1400	1401 TO 1500	1501 TO 1600	1601 TO 1700	1701 TO 1800	1801 TO 1900	1901 TO 2000	2001 TO 2100	2101 TO 9999
0 - 99	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
100 - 199	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
200 - 299	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
300 - 399	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
400 - 499	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
500 - 599	413	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
600 - 699	488	450	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
700 - 799	563	525	450	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
800 - 899	638	600	525	450	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
900 - 999	713	675	600	525	450	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1000 - 1099	788	750	675	600	525	450	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1100 - 1199	863	825	750	675	600	525	450	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0
1200 - 1299	938	900	825	750	675	600	525	450	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0
1300 - 1399	1013	975	900	825	750	675	600	525	450	400	400	400	0	0	0	0	0	0	0	0	0	0	0
1400 - 1499	1088	1050	975	900	825	750	675	600	525	450	400	400	400	0	0	0	0	0	0	0	0	0	0
1500 - 1599	1163	1125	1050	975	900	825	750	675	600	525	450	400	400	400	0	0	0	0	0	0	0	0	0
1600 - 1699	1238	1200	1125	1050	975	900	825	750	675	600	525	450	400	400	400	0	0	0	0	0	0	0	0
1700 - 1799	1313	1275	1200	1125	1050	975	900	825	750	675	600	525	450	400	400	400	0	0	0	0	0	0	0
1800 - 1899	1388	1350	1275	1200	1125	1050	975	900	825	750	675	600	525	450	400	400	400	0	0	0	0	0	0
1900 - 1999	1463	1425	1350	1275	1200	1125	1050	975	900	825	750	675	600	525	450	400	400	400	0	0	0	0	0
2000 - 2099	1538	1500	1425	1350	1275	1200	1125	1050	975	900	825	750	675	600	525	450	400	400	400	0	0	0	0
2100 - 2199	1613	1575	1500	1425	1350	1275	1200	1125	1050	975	900	825	750	675	600	525	,450	400	400	400	0	0	0
2200 - 2299	1688	1650	1575	1500	1425	1350	1275	1200	1125	1050	975	900	825	750	675	600	525	450	400	400	400	0	0
2300 + 9999	1725	1688	1613	1538	1463	1388	1313	1238	1163	1088	1013	938	863	788	713	638	563	488	413	400	400	0	0

FEDERAL PELL GRANT PROGRAM DISBURSEMENT SCHEDULE
FOR DETERMINING HALF - TIME ANNUAL AWARDS
FOR THE 1994- 95 AWARD PERIOD

	EXPECTED FAMILY CONTRIBUTION																						
COST OF EDUCATION	0 TO 0	1 TO 100	101 TO 200	201 TO 300	301 TO 400	401 TO 500	501 TO 600	601 TO 700	701 TO 800	801 TO 900	901 TO 1000	1001 TO 1100	1101 TO 1200	1201 TO 1300	1301 TO 1400	1401 TO 1500	1501 TO 1600	1601 TO 1700	1701 TO 1800	1801 TO 1900	1901 TO 2000	2001 TO 2100	2101 TO 9999
0 - 99	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
100 - 199	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
200 - 299	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
300 - 399	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
400 - 499	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
500 - 599	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
600 - 699	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
700 - 799	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
800 - 899	425	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
900 - 999	475	450	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1000 - 1099	525	500	450	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1100 - 1199	575	550	500	450	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1200 - 1299	625	600	550	500	450	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0
1300 - 1399	675	650	600	550	500	450	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0
1400 - 1499	725	700	650	600	550	500	450	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0
1500 - 1599	775	750	700	650	600	550	500	450	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0
1600 - 1699	825	800	750	700	650	600	550	500	450	400	400	400	400	400	0	0	0	0	0	0	0	0	0
1700 - 1799	875	850	800	750	700	650	600	550	500	450	400	400	400	400	400	0	0	0	0	0	0	0	0
1800 - 1899	925	900	850	800	750	700	650	600	550	500	450	400	400	400	400	400	0	0	0	0	0	0	0
1900 - 1999	975	950	900	850	800	750	700	650	600	550	500	450	400	400	400	400	400	0	0	0	0	0	0
2000 - 2099	1025	1000	950	900	850	800	750	700	650	600	550	500	450	400	400	400	400	400	0	0	0	0	0
2100 - 2199	1075	1050	1000	950	900	850	800	750	700	650	600	550	500	450	400	400	400	400	400	0	0	0	0
2200 - 2299	1125	1100	1050	1000	950	900	850	800	750	700	650	600	550	500	450	400	400	400	400	400	0	0	0
2300 + 9999	1150	1125	1075	1025	975	925	875	825	775	725	675	625	575	525	475	425	400	400	400	400	0	0	0

FEDERAL PELL GRANT PROGRAM DISBURSEMENT SCHEDULE FOR DETERMINING LESS - THAN - HALF - TIME ANNUAL AWARDS FOR THE 1994- 95 AWARD PERIOD

EXPECTED FAMILY CONTRIBUTION

COST OF EDUCATION	0 TO 0	1 TO 100	101 TO 200	201 TO 300	301 TO 400	401 TO 500	501 TO 600	601 TO 700	701 TO 800	801 TO 900	901 TO 1000	1001 TO 1100	1101 TO 1200	1201 TO 1300	1301 TO 1400	1401 TO 1500	1501 TO 1600	1601 TO 1700	1701 TO 1800	1801 TO 1900	1901 TO 2000	2001 TO 2100	2101 TO 9999
0 - 99	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
100 - 199	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
200 - 299	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
300 - 399	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
400 - 499	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
500 - 599	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
600 - 699	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
700 - 799	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
800 - 899	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
900 - 999	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1000 - 1099	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1100 - 1199	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1200 - 1299	400	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1300 - 1399	400	400	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1400 - 1499	400	400	400	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1500 - 1599	400	400	400	400	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1600 - 1699	413	400	400	400	400	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0	0
1700 - 1799	438	425	400	400	400	400	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0	0
1800 - 1899	463	450	425	400	400	400	400	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0	0
1900 - 1999	488	475	450	425	400	400	400	400	400	400	400	400	400	0	0	0	0	0	0	0	0	0	0
2000 - 2099	513	500	475	450	425	400	400	400	400	400	400	400	400	400	0	0	0	0	0	0	0	0	0
2100 - 2199	538	525	500	475	450	425	400	400	400	400	400	400	400	400	400	0	0	0	0	0	0	0	0
2200 - 2299	563	550	525	500	475	450	425	400	400	400	400	400	400	400	400	400	0	0	0	0	0	0	0
2300 + 9999	575	563	538	513	488	463	438	413	400	400	400	400	400	400	400	400	0	0	0	0	0	0	0

Case Study 1-A Solution

Federal Pell Grant Calculation Worksheet

Standard-term, credit-hour programs
(Fall through spring terms equal to or greater than 30 weeks)

1. **Enrollment Status**: ☑ Full-time ☐ 3/4-time ☐ 1/2-time ☐ < 1/2-time

2. **Cost of Attendance**:

	$ 5,650	Tuition and fees
+	4,050	Room and board
+	1,550	Books, supplies, transportation, and miscellaneous expenses
+	0	Dependent care
+	0	Disability-related expenses
+	0	Study abroad
+	0	Employment-related cooperative education program expenses
+	120	Loan fees, loan origination fees, loan insurance premiums
=	$ 11,370	**Total COA**

3. **Scheduled Award**: (from full-time Payment Schedule)(EFC 549) $ 1,750

4. **Payment Periods**: Number of payment periods in fall through spring 2

5. **Payment for a Payment Period**:

•Annual award from appropriate schedule		$ 1,750
•Number of payment periods in fall through spring	+	2
•Payment for term (payment period)	=	$ 875

•Number of terms enrolled in award year 2

•First term expected disbursement		$ 875
•Second term expected disbursement	+	875
•Expected Federal Pell Grant for the award year	=	$ 1,750

Case Study 1-B Solution

Federal Pell Grant Calculation Worksheet

Standard-term, credit-hour programs
(Fall through spring terms equal to or greater than 30 weeks)

1. **Enrollment Status**: ☑ Full-time ☐ 3/4-time ☐ 1/2-time ☐ < 1/2-time

2. **Cost of Attendance**:

	$ 4,425	Tuition and fees
+	4,050	Room and board
+	1,550	Books, supplies, transportation, and miscellaneous expenses
+	0	Dependent care
+	0	Disability-related expenses
+	0	Study abroad
+	0	Employment-related cooperative education program expenses
+	120	Loan fees, loan origination fees, loan insurance premiums
=	$ 10,145	**Total COA**

3. **Scheduled Award**: (from full-time Payment Schedule)(EFC 549) $ 1,750

4. **Payment Periods**: Number of payment periods in academic year 2

5. **Payment for a Payment Period**:

•Annual award from appropriate schedule		$ 1,313
•Number of payment periods in fall through spring	÷	2
•Payment for term (payment period)	=	$ 657

•Number of terms enrolled in award year 2

•First term expected disbursement		$ 875
•Second term expected disbursement	+	657
•Expected Federal Pell Grant for the award year	=	$ 1,532

Case Study 2 Solution

Federal Pell Grant Calculation Worksheet
Standard-term, credit-hour programs
(Fall through spring terms fewer than 30 weeks)

1. **Enrollment Status**: ☑ Full-time ☐ 3/4-time ☐ 1/2-time ☐ < 1/2-time

2. **Cost of Attendance**:

Tuition & fees	$ 6,330		
Books & supplies	+ 350		
Total			= $ 6,680 (1)
Room & board	$ 6,000		
Transportation & misc. personal	+ 1,500		
Dependent care	+ 0		
Disability-related expenses	+ 0		
Study abroad	+ 0		
Employment-related coop. ed.	+ 0		
Loan fees, loan origination fees, loan insurance premiums	+ 0		
Total		= $ 7,500	
Proration ratio*		x $\frac{30 \text{ weeks}}{28 \text{ weeks}}$	
Prorated costs			= $ 8,036 (2)
Total COA [(1) + (2)]			= $ 14,716

$$\text{* Proration ratio} = \frac{\text{Weeks of instructional time in program's definition of AY}}{\text{Weeks of instructional time in fall through spring terms}}$$

3. **Scheduled Award**: (from full-time Payment Schedule) (EFC 801)	$ 1,450
4. **Payment Periods**: Number of payment periods in fall through spring	2
5. **Payment for a Payment Period**:	
•Annual award from appropriate schedule	$ 1,450
•Payment for each term (payment period)	

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in fall through spring terms}}{\text{Weeks of instructional time in program's definition of AY}} \div \text{Number of payment periods in the award year}$$

$$\$1{,}450 \times \frac{28}{30} \div 2 = \$677$$

•First term expected disbursement	$ 677
•Second term expected disbursement	+ 677
•Expected Federal Pell Grant for the award year	= $ 1,354

Case Study 3 Solution

Federal Pell Grant Calculation Worksheet
Nonstandard-term, credit-hour programs

1. **Enrollment Status**:

Term 1	☐ Full-time	☐ 3/4-time	☑ 1/2-time	☐ < 1/2-time
Term 2	☐ Full-time	☐ 3/4-time	☑ 1/2-time	☐ < 1/2-time
Term 3	☐ Full-time	☐ 3/4-time	☑ 1/2-time	☐ < 1/2-time
Term 4	☐ Full-time	☐ 3/4-time	☑ 1/2-time	☐ < 1/2-time

Nonstandard Term Calculation:

Full-time status: $\text{Hours in AY} \times \frac{\text{Weeks of instructional time in nonstandard term}}{\text{Weeks of instructional time in program's definition of AY}}$

$$28 \times \frac{8 \text{ weeks}}{32 \text{ weeks}} = 7$$

Less than full-time status: $\frac{\text{Hours student takes in nonstandard term}}{\text{Hours required for full-time status in nonstandard term}}$

$$\frac{4}{7} = \text{half-time status}$$

2. **Cost of Attendance**:

Tuition & fees		$ 5,640		
Books & supplies	+	300		
Total			= $ 5,940	
Proration ratio*			x $\frac{28 \text{ hours}}{28 \text{ hours}}$	
Prorated costs				= $ 5,940 (1)
Room & board		$ 5,600		
Transportation & misc. personal	+	3,040		
Dependent care	+	4,000		
Disability-related expenses	+	0		
Study abroad	+	0		
Employment-related coop. ed.	+	0		
Loan fees, loan origination fees, loan insurance fees	+	0		
Total			= $ 12,640	
Proration ratio**			x $\frac{32 \text{ weeks}}{32 \text{ weeks}}$	
Prorated costs				= $ 12,640 (2)
Total COA [(1) + (2)]				= $ 18,580

* Proration ratio = $\frac{\text{Hours in program's definition of AY}}{\text{Hours in AY for student's program of study}}$

** Proration ratio = $\frac{\text{Weeks of instructional time in program's definition of AY}}{\text{Weeks of instructional time in the terms to which the costs apply}}$

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Case Study 3 Solution

Federal Pell Grant Calculation Worksheet

Nonstandard-term, credit-hour programs

3. **Scheduled Award**: (from full-time Payment Schedule) (EFC 429)	$ 1,850
4. **Payment Periods**: Number of terms in award year	4
5. **Payment for a Payment Period**:	
•Annual award from appropriate schedule	$ 925

$$\text{Annual award} \times \frac{\text{Weeks of instructional time in term}}{\text{Weeks of instructional time in program's definition of AY}}$$

$$925 \times \frac{8 \text{ weeks}}{32 \text{ weeks}} = 231.25$$

•First term expected disbursement		$ 231
•Second term expected disbursement	+	231
•Third term expected disbursement	+	231
•Fourth term expected disbursement	+	232
•Expected Federal Pell Grant for the award year	=	$ 925

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Case Study 4 Solution

Federal Pell Grant Calculation Worksheet

Nonterm programs

1. **Enrollment Status:** ☑ Full-time ☐ < 1/2-time

2. **Cost of Attendance:**

Tuition & fees	$ 3,675		
Books & supplies	+ 600		
Total		= $ 4,275	
Proration ratio*		x $\frac{900}{600}$	
Prorated costs			= $ 6,413 (1)
Room & board	$ 1,000		
Transportation & misc. personal	+ 600		
Dependent care	+ 0		
Disability-related expenses	+ 0		
Study abroad	+ 0		
Employment-related coop. ed.	+ 0		
Loan fees, loan origination fees, loan insurance fees	+ 0		
Total		= $ 1,600	
Proration ratio**		x $\frac{30}{20}$	
Prorated costs			= $ 2,400 (2)
Total COA [(1) + (2)]			= $ 8,813

$$\text{* Proration ratio} = \frac{\text{Hours in program's definition of AY}}{\text{Hours in student's program of study}}$$

$$\text{** Proration ratio} = \frac{\text{Weeks of instructional time in program's definition of AY}}{\text{Weeks of instructional time in the enrollment period to which the costs apply}}$$

3. **Scheduled Award**: (from full-time Payment Schedule) (EFC 204) $ 2,050

4. **Payment Periods**:

- Program length in hours 600 clock hours

  Program length ≥ Academic year: Payment period = 1/2 x Academic year

  Program length < Academic year: Payment period = 1/2 x Program length

- Payment period definition 300 hours

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Case Study 4 Solution

Federal Pell Grant Calculation Worksheet

Nonterm programs

5. **Payment for a Payment Period:**

(1) Scheduled award x the lesser of:

$$\frac{\text{Weeks of instructional time for a full-time student to complete hours in program or AY}}{\text{Weeks of instructional time in program's definition of AY}}$$

OR

One (1)

$$\$2{,}050 \times \frac{20 \text{ weeks}}{30 \text{ weeks}} = \$1{,}367$$

$$(2)\!: (1) \times \frac{\text{Hours in payment period}}{\text{Hours in program's definition of AY}}$$

$$\$1{,}367 \times \frac{300 \text{ hours}}{900 \text{ hours}} = \$456$$

Payments:	Hours	1	to	300		$ 456
	Hours	301	to	600	+	456
Expected Federal Pell Grant for the award year					=	$ 912

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Case Study 5 Solution

Federal Pell Grant Calculation Worksheet
Nonterm correspondence programs

1. **Enrollment Status:** ☒ 1/2-time
2. **Cost of Attendance:**

Tuition & fees	$ 2,520	
Proration ratio*	x $\frac{900}{600}$	
Prorated costs		= $ 3,780

* Proration ratio = $\frac{\text{Hours in program's definition of AY}}{\text{Hours in student's program of study}}$

3. **Scheduled Award:** (from 1/2-time Disbursement Schedule) (EFC 1201) $ 525
4. **Payment Periods:**

•Program length in hours 600

Program length ≥ Academic year: Payment period = 1/2 x Academic year

Program length < Academic year: Payment period = 1/2 x Program length

•Payment period definition 300 hours

5. **Payment for a Payment Period:**

(1) Annual award x the lesser of:

$$\frac{\text{Weeks of instructional time to complete the lesser of hours in program or AY}}{\text{Weeks of instructional time in program's definition of AY}}$$

OR

One (1)

$$525 \quad x \quad \frac{25}{30} \quad = \quad 437.5 \quad = \quad 438$$

(2): (1) x $\frac{\text{Hours in payment period}}{\text{Hours in program's definition of AY}}$

$$438 \quad x \quad \frac{300}{900} \quad = \quad 146$$

Payments:	Hours	0	to	300		$ 146
	Hours	301	to	600	+	146
Expected Federal Pell Grant for the award year					=	$ 292

SESSION #4

Campus-Based Program Issues

Session Objectives

•Trainees will be able to:

1. Identify administrative and fiscal requirements for the campus-based programs;
2. Explain the rules for applying the campus-based thresholds in the treatment of overawards;
3. Describe the conditions under which a late disbursement of campus-based funds is permitted;
4. Describe standardization requirements for the Federal Perkins Loan Program promissory note;
5. Explain how Federal Perkins Loan cohort default rates are calculated, and how these rates affect a school's eligibility to participate in the Federal Perkins Loan Program; and
6. Explain Federal Work-Study community service requirements.

Sources for Further Study

- Federal Register, November 30, 1994 (Campus-Based Program Regulations)
- Federal Register, December 21, 1992 (Definition of community service)
- Dear Colleague Letter CB-94-24 (1994-95 Directory of Designated Low-Income Schools for Teaching Cancellation Benefits)
- Dear Colleague Letter CB-94-21 (Chart of state percentages for determining nonfederal share of FSEOG awards)
- Dear Colleague Letter CB-94-6 (Amendments to the 1993-94 Directory of Designated Low-Income Schools for Teacher Cancellation Benefits)
- Dear Colleague Letter CB-94-4 (Information on implementing FWS community service requirements)
- Dear Colleague Letter CB-93-16 (1993-94 Directory of Designated Low-Income Schools for Teacher Cancellation Benefits)
- Federal Student Financial Aid Handbook, Chapters 5, 6, 7, and 8

INTRODUCTION

The 1992 Higher Education Amendments and the 1993 Technical Amendments made a number of changes in the campus-based programs.

Final regulations published on November 30, 1994:

1. Implement the statutory requirements; and

2. Modify other campus-based program requirements.

The new regulations become effective on July 1, 1995.

REQUIREMENTS APPLICABLE TO MORE THAN ONE CAMPUS-BASED PROGRAM

A specific set of regulations governs the administration of each campus-based program. Some requirements apply to more than one campus-based program.

Administrative and Fiscal Requirements

Schools that receive a campus-based program allocation must meet certain administrative and fiscal requirements. Funding requirements are summarized in the chart on the following page.

CAMPUS-BASED PROGRAMS: FUNDING REQUIREMENTS AND OPTIONS

Program	Institutional Matching Requirements [1]	Interfund Transfers	Special Use of Funds [2]	Administrative Cost Allowance (ACA)
Federal Perkins Loan	FY 93: 3/17 of the FCC Beginning FY 94: 1/3 of the FCC	Up to 25% of the new FCC can be transferred and spent as FWS or FSEOG or combination of both; new FCC may be transferred to Work Colleges Program	N/A	Based on total expenditures - Award Year School deducts from FWS or FSEOG authorizations, or from Federal Perkins Loan Fund (or from any combination of the three) % of Expenditures 5% up to $2,750,000 4% greater than $2,750,000 to $5,500,000 3% in excess of $5,500,000 Up to 10% of amount available under ACA and attributable to FWS expenditures may be used to conduct Community Service programs If the school enrolls a significant number of less-than-full-time or independent students, then a reasonable portion of its ACA must be used to provide financial aid services during times and at places that most effectively accommodate their needs.
Expanded Lending Option	50% FCC 50% ICC [3]			
Federal Supplemental Educational Opportunity Grant	75% Federal 25% Institutional Match Methods: • Aggregate • Individual • Fund-specific	None (FSEOG funds may not be transferred to the FWS, Federal Perkins, or Work Colleges programs)		
Federal Work-Study	Depends on use of funds	Up to 25% of federal allocation can be transferred and spent as FSEOG; funds may be transferred to Work Colleges Program	10% Carry Forward 10% Carry Back Additional Carry Back for Summer Employment	
Institutional, Public, and Private Nonprofit Sector	75% Federal 25% Employer			
Private For-Profit Sector	50% Federal; 50% Employer			
Community Service [4]	At least 5% of Allocation: • 75% Federal • 25% Employer			
Job Location and Development (JLD)	80% Federal 20% Institutional Funds for Allowable Costs		May use lesser of 10% or $50,000 of FWS funds	
Work Colleges	50% Federal; 50% Institutional			

[1] The federal share may be increased according to ED regulations establishing objective criteria.

[2] If the total need of a school's less-than-full-time or independent students exceeds 5% of the need of all its students, the school must offer to these students at least 5% of its FSEOG allocation, 5% of its FWS allocation, and 5% of the dollar amount of Federal Perkins Loans made.

[3] For a school with an ELO agreement with ED, matching requirement applies regardless of whether the school makes a loan under ELO authority.

[4] ED may waive the requirement that a school must use at least 5% of its FWS allocation for Community Service if the use of those funds for Community Service would cause a hardship to the students.

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Matching Requirements

For each campus-based program in which the school participates, the school must provide a specified amount of institutional resources as a match against the program's federal funding allocation. Schools may provide the required share in different ways.

Federal Supplemental Education Opportunity Grant (FSEOG) Program. Each FSEOG award the school makes must contain some federal funds. One of three methods may be used to satisfy the FSEOG requirement:

1. The fund-specific method;
2. The individual basis method; or
3. The aggregate method.

Under **the fund-specific method**, the school:

1. Deposits both the federal allocation and the school's nonfederal share into a fund established by the school; and
2. Awards FSEOG funds to eligible students from the fund.

Under the **individual basis method**, the school ensures that the FSEOG award for each recipient meets the matching requirement.

Example: If the school awards a student a $1,000 FSEOG, the student's total FSEOG must contain:

1. $250 ($1,000 x 25 percent) in eligible nonfederal resources; and
2. $750 ($1,000 x 75 percent) in FSEOG federal funds.

Under **the aggregate method**, the total of all eligible nonfederal resources made available to FSEOG recipients must meet or exceed the amount of the school's required FSEOG match.

Example: A school awards a total of $60,000 to 60 FSEOG recipients. The $60,000 FSEOG awarded consists of:

1. $45,000 in federal funds ($60,000 x 75 percent = $45,000); and

2. $15,000 in nonfederal resources ($60,000 x 25 percent = $15,000).

The nonfederal resource requirement is satisfied if at least $15,000 in nonfederal resources has been awarded to the school's FSEOG recipients. It is not necessary for every FSEOG award to include nonfederal funds, but each FSEOG award must include some FSEOG federal funds.

Nonfederal resources that may be used to satisfy the FSEOG matching requirement include:

1. Institutional grants and scholarships;

2. Tuition or fee waivers;

3. State scholarships or grants; or

4. Funds from a foundation or other charitable organization.

State Student Incentive Grant (SSIG) funds may not be used to meet the FSEOG matching requirement. For purposes of the FSEOG matching requirement, SSIG awards are defined as the federal SSIG allocation plus the minimum required state matching amount. Any remaining portions of state grants are considered non-SSIG funds.

If a school knows that a state scholarship or grant does not contain any SSIG monies, 100 percent of the scholarship or grant may be used as the FSEOG nonfederal share. The required state matching portion of an SSIG scholarship or grant may not be used to satisfy the nonfederal share of the FSEOG matching requirement.

If the school does not know about the funds used to comprise the state scholarship or grant, a percentage of the state scholarship or grant may used. Each award year ED publishes a Dear Colleague Letter which lists the percentages of state scholarships and grants that may be used as the nonfederal share of FSEOG awards.

If a school uses this listing, the maximum amount of the state scholarship or grant that may be used as the nonfederal share of the FSEOG award is equal to the applicable state percentage multiplied by the amount of the state scholarship or grant.

Example: A student receives a $1,000 state grant. The percentage of non-SSIG funds in the state grant is 80 percent.

1. Under the individual basis method:
    a. 80 percent x $1,000 state grant = $800
    b. $800 may be used to meet the FSEOG nonfederal share requirement for a total FSEOG award of up to $3,200 ($3,200 x 25 percent) with a federal share of $2,400 ($3,200 x 75 percent).
2. Under the aggregate method, the $800 representing the non-SSIG portion of the state grant may be included in the total of nonfederal resources awarded to the school's FSEOG recipients, as long as each student receives some of the FSEOG federal funds.

School resources used to satisfy the FSEOG matching requirement must be disbursed at the time the federal funds are disbursed. Funds from outside sources used to satisfy the nonfederal share of the FSEOG match requirements may be disbursed prior to the school's receipt of the matching funds if there is written documentation that the student is to receive those funds.

Federal Perkins Loan Program. A sum equivalent to at least one-third of the federal capital contribution (FCC) must be deposited in the school's Federal Perkins Loan fund. The school funds must be deposited prior to or at the time of deposit of FCC funds.

Federal Work-Study (FWS) Program. The nonfederal share of the match is provided by the FWS employer. The school may provide the nonfederal share of FWS earnings if the employer is a **nonprofit organization**.

If the school is the FWS employer, the school may pay the nonfederal share of wages in the form of a noncash contribution of services and equipment (such as school charges for tuition, fees, room, board, books and supplies). The noncash contribution may not include forgiveness of fines (such as library or parking fines) the school assessed the student.

The noncash contribution method may be used only if:

1. The noncash contribution is paid before the student's final payroll period; and

2. All noncash contribution amounts used to satisfy the nonfederal share of FWS wages are documented in the student's file.

Use of Campus-Based Program Funds: "Exceptional Need" and "Independent/Less-Than-Full-Time Students"

Campus-based funds must be made reasonably available to all eligible students who demonstrate need. In awarding FSEOG and Federal Perkins

Loan funds, schools must give priority to eligible students with exceptional need.

"Exceptional need" is not defined for the Federal Perkins Loan Program. In the FSEOG Program, students with the lowest expected family contribution (EFC) and who receive Pell Grants are considered to have "exceptional need."

A school also must offer its campus-based program funds to:

1. Independent students; or

2. Less-than-full-time students.

At least 5 percent of the school's FSEOG allocation, 5 percent of its FWS allocation, and 5 percent of the dollar amount of Federal Perkins Loans the school makes must be offered to independent or less-than-full-time students if:

1. The school's allocation for a campus-based program is based directly or indirectly on the financial need of independent or less-than-full-time students; and

2. The total financial need of all the school's less-than-full-time or independent students exceeds 5 percent of the total need of all students attending the school.

Students enrolled in programs of study offered by correspondence are considered to be enrolled part-time.

Information about eligible applicants reported in the school's Fiscal Operations Report and Application to Participate (FISAP) determines whether this requirement applies to a school. For the 1995-96 award year, this determination will be based on applicant data from the 1993-94 award year.

Example: At a school that participates in all of the campus-based programs:

1. If the school's independent and part-time students' need is 5 percent or less of the total need of all students considered in determining the school's FSEOG allocation, the school is not required to offer at least 5 percent of its FSEOG federal funds for awards to independent or part-time students.

2. If the school's independent and part-time students' need exceeds 5 percent of the total need of all students considered in determining the school's allocation from the Federal Perkins Loan and the Federal Work-Study (FWS) programs only:

    a. The school's FSEOG allocation is not subject to the 5 percent requirement; and

    b. The school's Federal Perkins Loan and FWS allocations are subject to the 5 percent requirement.

ED notifies a school that it is subject to the 5 percent requirement in a Dear Colleague Letter in April.

If a school is subject to the 5 percent requirement:

1. Funding must be offered for independent and part-time students at both the main campus and any additional locations of the school; and

2. The school may offer the required 5 percent of its campus-based funds, in any proportion the school chooses, to either part-time or independent students.

An exemption to the 5 percent requirement applies if a school:

1. Did not receive a federal capital contribution under the Federal Perkins Loan Program for the award year; or

2. Received an annual allocation of $5,000 or less for any of the campus-based programs.

Transfer of Campus-Based Funds

Schools may transfer portions of their annual Federal Perkins Loan and Federal Work-Study allocations for use in another campus-based program as indicated in the chart on Page TG 4-3.

Return of Allocated Funds

If a school returns more than 10 percent of a campus-based program's allocation for an award year, the school's allocation for that program for the second succeeding award year will be reduced by the dollar amount returned.

Example: A school returns $12,000 from its $84,000 Federal Work-Study (FWS) allocation for the 1993-94 award year. Since the amount of FWS allocation returned is more than $8,400 (10 percent x $84,000), the school's 1995-96 FWS allocation will be reduced by $12,000.

If the school also returned $3,000 of its $50,000 FSEOG allocation, the school's 1995-96 FSEOG allocation would not be reduced since that amount does not exceed $5,000 (10 percent x $50,000).

This penalty may be waived if ED determines that the return of the unexpended allocation was due to circumstances that:

1. Were beyond the school's control, such as a natural disaster; and

2. Are not expected to recur.

Overawards

A school may not award Title IV assistance in excess of a student's need. If a student receives additional aid, the school must recalculate the student's need to determine whether the additional aid created an overaward.

An overaward exists if the student's total resources exceed the student's need. Current campus-based program regulations permit a $200 overaward tolerance.

Effective July 1, 1995, a $300 overaward threshold for all the campus-based programs will be allowed.

However, if the student's award also contains a loan under the Direct Loan or Federal Family Educational Loan (FFEL) programs, the school must first determine whether a Direct Loan or FFEL overaward exists.

Under the Direct Loan and FFEL programs, additional resources, including an increase in the EFC, are not considered overawards once:

1. All Direct Loan proceeds have been disbursed to the student; or

2. All FFEL loan proceeds have been delivered to the student.

In determining whether there is a Direct Loan or FFEL overaward, up to $300 of the student's FWS earnings may be excluded.

The school must reduce any Direct Loan or FFEL overaward to zero. After the Direct Loan or FFEL overaward has been eliminated, the campus-based program $300 tolerance may be applied to any remaining overaward. However, if the school has already applied the $300 FWS earnings exclusion, no additional overaward tolerance is permitted.

Late Disbursements of Campus-Based Funds

Currently, a late disbursement of an FSEOG or a Federal Perkins Loan may be made only if the school:

1. Has completed the disbursement process, except for the actual delivery of funds, at the time the student drops out; or

2. Is correcting an institutional error.

Effective July 1, 1995, a school may make a late disbursement of an FSEOG or a Federal Perkins Loan if:

1. The student was awarded the FSEOG or Federal Perkins Loan while still enrolled as an eligible student;

2. The amount of the late disbursement does not exceed the student's documented and earned educational expenses that are normally included in the student's cost of attendance for the payment period; and

3. The school documents the amount and reason for the late disbursement in the student's file.

NEW REQUIREMENTS FOR THE FEDERAL PERKINS LOAN PROGRAM

Federal Perkins Loans must be properly made, otherwise the school is liable for the loan amount. A Federal Perkins Loan is not considered to have been "made" until the student signs for the advance of funds and receives the loan funds.

Standardization of the Promissory Note

The school must use the promissory note provided by ED and may not make changes to the note. Minor format changes may be made, such as changing the type size. However, the wording and the ordering of the paragraphs may not be changed. Optional items will continue to be optional.

Loan Advances

A Federal Perkins Loan or a National Direct Student Loan may be disbursed:

1. By issuing a check directly to the student; or

2. By crediting the student's account.

A loan may not be disbursed until the student has signed his or her promissory note. At the time the loan funds are advanced, the borrower must sign for **each** advance in the Schedule of Advances, which is part of the student's promissory note.

Effective July 1, 1995, a borrower enrolled in a study-abroad program approved for credit by the student's home institution is not required to sign for any advance while studying abroad if:

1. Obtaining the borrower's signature for each advance would impose an undue hardship on the school; and

2. The school documents the student's file with the reasons for the exception.

Credit Bureau Reporting Requirements

In order to promote a borrower's responsible repayment of loans received under the Federal Perkins Loan Program, a school must report certain information to national credit bureau organizations. For each Federal Perkins Loan or National Direct Student Loan the school makes, the school must report:

1. At least annually, the amount and date of each disbursement of the loan;
2. Information on collection, cancellation, and outstanding balance; and
3. The borrower's default status.

These credit bureau reporting requirements must be:

1. Stated in the borrower's promissory note; and
2. Disclosed by the school to the borrower.

To ensure that a credit bureau has accurate borrower information, a school must:

1. Report changes in a borrower's loan status; and
2. Respond within one month to inquiries from any national credit bureau organization regarding the borrower's loan amount.

Under the Fair Credit Reporting Act, a borrower has the right to appeal the accuracy and the validity of any of the information reported to a national credit bureau organization.

The school may only use a national credit bureau organization with whom ED has signed an agreement. Currently ED has agreements with:

1. Trans Union;
2. TRW;
3. CBI Equifax; and
4. Consumer Credit Association, Inc.

The name and phone number of a contact person for each of these national credit bureau organizations may be found in Chapter 6 of the *Federal Student Financial Aid Handbook*. Affiliates of these organizations may be used if the school first obtains ED's approval.

Any costs for reporting disbursement information to a national credit bureau organization may not be charged to the school's Federal Perkins Loan fund. However, part of the school's administrative cost allowance may be used to cover these costs.

Any charges by a national credit bureau organization for services related to the collection of a defaulted loan must be passed on to the borrower for payment. If the borrower makes a payment on the defaulted loan, the school's Federal Perkins Loan fund may be charged for the national credit bureau organization's costs, but only in proportion to the amount collected on the defaulted loan.

Deferment, Cancellation, and Forbearance Provisions

Since schools are responsible for the collection of loans made under the Federal Perkins Loan Program, schools should know how to apply the deferment, cancellation, and forbearance provisions.

Deferments

Under certain conditions, borrowers of loans made under the Federal Perkins Loan Program may defer the repayment of their loans. Different deferment provisions apply, depending upon when the loan was borrowed.

The deferment provisions available to Federal Perkins Loan, National Direct Student Loan, and National Defense Student Loan borrowers are listed in the chart on the following page.

FEDERAL PERKINS LOAN DEFERMENT PROVISIONS

Deferment Provision	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Half-time enrollment	**No limit***	**No limit***	**No limit***	**No limit**	**No limit**
Less than half-time enrollment as a regular student	N/A	N/A	N/A	N/A	3 years**
Rehabilitation training	No limit*	N/A	N/A	N/A	N/A
Graduate fellowship study [1]	No limit*	N/A	N/A	N/A	N/A
Eligible internship or residency program	N/A	2 years [2]*	2 years [3]*	N/A	N/A
Inability to secure full-time employment	3 years*	N/A	N/A	N/A	N/A
Economic hardship [4]	3 years*	N/A	N/A	N/A	N/A
Hardship as determined by school	N/A	No limit**	No limit**	No limit**	No limit**
Law enforcement/correction officer***	see footnote 5*	see footnote 6	N/A	N/A	N/A
Peace Corps/ACTION program volunteer***	see footnote 5*	3 years*	3 years*	3 years	3 years
Full-time volunteer for tax-exempt organization in service comparable to Peace Corps or ACTION	N/A	3 years*	3 years*	N/A	N/A
U.S. Armed Services [7]***	see footnote 5*	3 years*	3 years*	3 years	3 years
Officer in Commissioned Corps of U.S. Public Health Service***	N/A	3 years*	3 years*	N/A	N/A
National Oceanic and Atmospheric Admin. Corps***	N/A	3 years*	N/A	N/A	N/A
Nurse/medical technician providing health services	see footnote 5*	N/A	N/A	N/A	N/A
Temporary total disability or care for temporarily totally disabled spouse/dependent***	N/A	3 years*	3 years [8]*	N/A	N/A
Pregnancy, care of newborn or newly adopted child [9]	N/A	6 months*	N/A	N/A	N/A
Mother of pre-schooler working or returning to work [10]	N/A	1 year*	N/A	N/A	N/A
Employment in Educational Component of Head Start Program***	see footnote 5*	Postponement	Postponement	N/A	N/A
Teacher in designated low-income school***	see footnote 5*	Postponement	Postponement	Postponement	Postponement
Teacher of special education, including teacher of infants, toddlers, children or youth with disabilities [11]***	see footnote 5*	Postponement [12]	Postponement	Postponement	N/A
Provider of early intervention services [13]***	see footnote 5*	N/A	N/A	N/A	N/A
Teacher of mathematics, science, foreign languages, bilingual education or other field of expertise determined by state education agency to have a shortage of qualified teachers***	see footnote 5*	N/A	N/A	N/A	N/A
Provider or supervisor of provision of services to high-risk children from low-income communities and their families [14]***	see footnote 5*	N/A	N/A	N/A	N/A

* Principal need not be paid, and interest does not accrue.
** Principal and interest may be deferred, but interest continues to accrue.
*** Employment or service must be full-time.

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FEDERAL PERKINS LOAN DEFERMENT PROVISIONS (cont'd.)

- **THIS CHART IS TO BE USED FOR REFERENCE ONLY. REFER TO PART E OF THE HIGHER EDUCATION ACT, AND 34 CFR PART 674, SECTIONS 674.33 THROUGH 674.39 IF YOU HAVE ANY QUESTIONS REGARDING A PARTICULAR BORROWER'S ELIGIBILITY FOR A DEFERMENT.**

1 A deferment request from a borrower enrolled in a graduate or post-graduate fellowship-supported program outside of the U.S. is approved until the completion of the fellowship period.

2 The internship program must require that the borrower have bachelor's degree before being admitted. In addition, the program must be required by a state licensing agency for certification for professional practice or service, or the program must lead to a postgraduate degree or certificate from a postsecondary school, hospital or health care facility.

3 The internship program must require that the borrower have a bachelor's degree before being admitted. The program must be required by the state licensing agency for certification for professional practice or service.

4 A borrower is considered to have an economic hardship if the borrower:

a. Has been granted an economic hardship deferment under FDSL or FFEL.

b. Is receiving payment under a federal or state public assistance program;

c. Is working full-time but earning a total monthly gross income that does not exceed (the greater of):

1) The monthly earnings of an individual earning the minimum wage described in Section 6 of the Fair Labor Standards Act of 1938, or

2) An amount equal to 100% of the poverty line for a family of two as determined according to Section 673(2) of the Community Service Block Grant Act .

d. Is not receiving total monthly gross income that exceeds twice the amount of "b" above, and after deducting the amount of the borrower's monthly federal postsecondary loan payments, the remaining amount of the borrower's monthly income does not exceed "b" above.

e. Is working full-time and has a federal educational debt burden that equals or exceeds 20% of the borrowers adjusted gross income and the difference between the borrower's adjusted gross income minus such burden is less than 220% of the greater of: The annual earnings of an individual earning the minimum wage under Section 6 of the Fair Labor Standards Act of 1938, or the income official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with Section 673(2) of the Community Services Block Grant Act) applicable to a family of two.

The amount of the borrower's "federal postsecondary loan payments" is the amount of payment that would have been owed if the loan had been scheduled to be repaid in 10 years from the date the borrower entered repayment regardless of the length of the borrower's actual repayment schedule or the actual monthly payment amount.

FEDERAL PERKINS LOAN DEFERMENT PROVISIONS (cont'd.)

5 Deferment is for period in which borrower is engaged in service eligible for Federal Perkins Loan cancellation.

6 Postponement for loans made 11/29/90 – 07/01/93.

7 Any military service, active duty, for loans made before 07/01/93. For loans made on or after 07/01/93, military service must be in an area that qualifies for hazardous duty pay.

8 Applies to borrower or care of spouse only. Does not allow deferment for the care of temporarily totally disabled dependent.

9 Borrower must not be attending an eligible postsecondary institution or be gainfully employed. Deferment must begin within 6 months after the borrower ceased to be enrolled at least half-time at an eligible institution.

10 Borrower's salary must not be more than $1 over the minimum hourly wage rate.

11 Infants, toddlers, children and youth with disabilities are defined in Section S 602(a)(1) and 672(1) of the Individuals with Disabilities Education Act.

12 Teacher of the handicapped, elementary and secondary only.

13 Must be employed in a public or nonprofit program under public supervision. A qualified professional provider of early intervention services is defined in Section 672(2) of the Individuals with Disabilities Education Act.

14 Must be employed in public or nonprofit child or family services agency. High-risk children are defined as individuals under the age of 21 who: are low-income; have been or are at risk of being abused or neglected; have serious emotional, mental, or behavioral disturbances; reside in placements outside of their homes; or are involved in the juvenile justice system. Low-income communities are defined as those communities in which there is a high concentration of children eligible to be counted under Chapter 1 of Title I of the Elementary and Secondary Act of 1965. Services must be to the high-risk children and their families.

For loans made on or after July 1, 1993, economic hardship is one of the types of available deferments. Effective July 1, 1995, the criteria under which a borrower may qualify for an economic hardship deferment are the same for the Federal Perkins Loan, the Federal Family Education Loan (FFEL), and the Direct Loan programs.

An economic hardship deferment is granted for up to one year at a time, for up to a maximum of three years. Each year the borrower must provide evidence that he or she continues to meet the deferment criteria.

If a borrower is applying for an economic hardship deferment prior to July 1, 1995, the school must follow the guidance contained in Chapter 6 of the 1994-95 *Federal Student Financial Aid Handbook.*

Cancellations

All or a portion of a borrower's loan under the Federal Perkins Loan Program may be cancelled for certain types of employment or public service. Different cancellation provisions apply, depending upon the type of loan and the date the loan was made.

A borrower's loan also may be cancelled due to the borrower's total and permanent disability. Effective July 1, 1995, the criteria used to determine a borrower's total and permanent disability will include the borrower's inability to attend school. Currently, the loan cancellation is based on the borrower's inability to work and earn money.

Cancellation provisions available under the Federal Perkins Loan Program are listed in the chart on the following page.

FEDERAL PERKINS LOAN CANCELLATION PROVISIONS

Cancellation Criteria	Federal Perkins*/ National Direct Made on or after 07/23/92	Federal Perkins Made Prior to * 07/23/92	National Direct** Made Prior to 07/23/92	National Defense
Total and permanent disability or death of borrower [1]	100%	100%	100%	100%
Full-time employment in Education Component of a Head Start Program [2]	100%	100%	100%	N/A
Full-time law enforcement or correction officer [3]	100%	100% [4]	100% [4]	N/A
Full-time teaching in low-income school eligible for funding under Chapter 1 of the Education Consolidation and Improvement Act of 1981 [5/6]	100%	100%	100%	100% [7]
Full-time special education teacher, including teacher of infants, toddlers, children or youth with disabilities [5/8]	100%	100% [9]	100% [9]	N/A
Full-time provider of early intervention services in a public or nonprofit program under public supervision [3/10]	100%	N/A	N/A	N/A
Full-time teacher of handicapped students in a public or nonprofit elementary/ secondary school	N/A	100% [5]	100% [5]	100% [7]
Full-time teacher of mathematics, science, foreign languages, bilingual education, or any subject-matter field of expertise determined by the state education agency to have a shortage of qualified teachers [5]	100%	N/A	N/A	N/A
Provider or supervisor of provision of services to high-risk children from low-income communities and their families [3/10*]	100%	N/A	N/A	N/A
Nurse or medical technician providing health care services [5*]	100%	N/A	N/A	N/A
Peace Corps or ACTION programs volunteer [12*]	70% - F. Perkins N/A - Natl. Direct	70%	N/A	N/A
Service in U.S. Armed Forces	50% [13]	50% [13]	50% [13]	50% [14]
Full-time teaching in public/nonprofit elementary/secondary school, institution of higher education or overseas Department of Defense elementary/secondary school	N/A	N/A	N/A	50% [15]
Bankruptcy [16]	in some cases	in some cases	in some cases	in some cases

* Employment or service must be full-time.

FEDERAL PERKINS LOAN CANCELLATION PROVISIONS (cont'd.)

- **THIS CHART IS TO BE USED FOR REFERENCE ONLY. REFER TO PART E OF THE HIGHER EDUCATION ACT, AND 34 CFR PART 674, SUBPART D IF YOU HAVE ANY QUESTIONS REGARDING A PARTICULAR BORROWER'S ELIGIBILITY FOR LOAN CANCELLATION.**

1 Effective 07/01/95 total and permanent disability is defined as the borrower's inability to work and earn money or to attend school because of an impairment that is expected to continue indefinitely or to result in the borrower's death.

2 Cancellation rate is 15% per year.

3 Cancellation rate is: 15% per year for first and second years; 20% per year for third and fourth years; and 30% for fifth year.

4 Applies only to loans made on or after 11/29/90.

5 Cancellation rate is: 15% per academic year for first and second years; 20% per academic year for third and fourth years; and 30% for fifth academic year.

6 If borrower teaches at a school that does not qualify as a low-income school in a subsequent year, the borrower remains eligible for loan cancellation as long as the borrower continues to teach full-time at the school.

7 Cancellation rate is 15% per academic year.

8 Infants, toddlers, children and youth with disabilities are defined in Section 602(a)(1) and 672(1) of the Individuals with Disabilities Education Act.

9 Cancellation applies only to full-time teaching of handicapped children in a public or non-profit elementary or secondary school system.

10 A qualified professional provider of early intervention services is defined in Section 672(2) of the Individuals with Disabilities Education Act.

11 Must be employed in public or non-profit child or family services agency. High-risk children are defined as individuals under the age of 21 who: are low-income; have been or are at risk of being abused or neglected; have serious emotional, mental, or behavioral disturbances; reside in placements outside of their homes; or are involved in the juvenile justice system. Low-income communities are defined as those communities in which there is a high concentration of children eligible to be counted under Chapter 1 of the Elementary and Secondary Education Act of 1965.

12 Cancellation applies only to Federal Perkins Loans; does not apply to National Direct Loans. Cancellation rate is 15% per year for first and second years, and 20% per year for third and fourth years.

13 Military service must be in an area that qualifies for hazardous duty pay. Cancellation rate is 12.5% per year of qualifying service.

14 Cancellation rate is 12.5% per year of consecutive service.

15 Cancellation rate is 10% per academic year.

16 Loan is cancelled only if collection is stayed by a bankruptcy court. If the loan is not ultimately discharged in bankruptcy, it again becomes the borrower's obligation.

Forbearance

Effective July 1, 1995, for loans made on or after July 23, 1992, a school must grant a borrower forbearance if the borrower meets any of the conditions listed on the chart on this page.

Schools may not grant forbearance for loans made prior to July 1, 1995. Instead, other Federal Perkins Loan Program provisions (such as a hardship deferment) should used to assist borrowers who are willing, but financially unable, to make scheduled loan payments.

FEDERAL PERKINS LOAN PROGRAM FORBEARANCE [1]

Criteria	Procedures
✦ Total amount of borrower's monthly payments on all Title IV loans equals or exceeds 20% of borrower's total monthly gross income	✦ Borrower must request in writing ✦ Borrower must provide documentation of amounts of monthly Title IV payments and monthly disposable income ✦ Renewable in 12-month intervals up to a maximum of 3 years [2]
✦ Borrower's poor health or other reasons acceptable to the school	✦ Borrower must request in writing ✦ Renewable in 12-month intervals up to a maximum of 3 years [2]
✦ ED authorized period of forbearance for borrowers affected by: • A national military mobilization; or • Other national emergencies	✦ Agreement of borrower not required

1 Forbearance is granted in the form of a temporary cessation of payments, smaller minimum monthly payments, or the extension of time for making payments. Interest continues to accrue during any period of forbearance. The borrower must be willing, but unable, to make scheduled loan payments.

2 All forbearance periods combined may not exceed 3 years.

Cohort Default Rate Calculation and Penalties

One of two methods is used to calculate a school's Federal Perkins Loan cohort default rate.

1. For any award year in which 30 or more of a school's current or former borrowers enter repayment:
    a. The school's cohort default rate is equal to the percentage of borrowers entering repayment who default before the end of the following award year.
    b. For the 1995-96 award year, the cohort default rate was based on the borrowers who entered repayment during the 1992-93 award year.
2. For any award year in which fewer than 30 of the school's borrowers enter repayment:
    a. The school's cohort default rate is equal to the percentage of borrowers who entered repayment in any of the three most recent years, and who defaulted before the end of the year following the year in which the borrower entered repayment.
    b. For the 1995-96 award year, the cohort default rate was based on the borrowers who entered repayment during the 1990-91, 1991-92, and 1992-93 award years.

The method to use to calculate the rate is based on the school's FISAP data. For purposes of calculating the school's cohort default rate, the FISAP instructs the school to include only those loans which are in default:

1. 240 days, if the loan is repayable in monthly installments; or
2. 270 days, if the loan is repayable in quarterly installments.

The following rules also apply for determining which loans must be reported as defaulted on the FISAP.

1. Since borrowers enter repayment only once during the life of the loan, a borrower "enters repayment":
    a. The day after the end of the initial grace period; or
    b. The day after the borrower waives the initial grace period.
2. If a borrower received Federal Perkins Loans from more than one school, the borrower's repayment or default is attributed to the school from which the borrower received the loan that was scheduled to enter repayment.
3. A loan still is considered in default even if the school, or any of its employees or other parties affiliated with the school, make a payment on the loan in order to avoid the borrower's default.
4. A loan is not considered in default if the borrower has rehabilitated or made satisfactory arrangements for the repayment of the loan before the end of the year for which information is collected to calculate the cohort default rate.
5. If inclusion of a defaulted loan that was improperly serviced or collected would result in an inaccurate or incomplete calculation of the school's cohort default rate, the loan is excluded from the calculation.

A school's cohort default rate applies to all the school's locations that were in operation on the first day of the award year for which the cohort default rate is calculated.

Different penalties apply to schools with high Federal Perkins Loan cohort default rates, as indicated by the following chart.

FEDERAL PERKINS LOAN DEFAULT PENALTIES

Cohort Default Rate	Requirement	Comments
Greater than or equal to 15%	Implement Default Reduction Plan	**Plan must meet ED regulatory requirements. If also required to establish a default reduction plan based on FFELP cohort default rate, school may coordinate the two plans.**
Greater than or equal to 20%, but less than 25%	Annual federal allocation (FCC) subject to default rate penalty of .9	FCC reduced according to the following formula: Annual FCC X Default rate penalty = Reduced FCC Example: Cohort default rate = 26% FCC before application of penalty = $20,000 FCC after application of penalty = $20,000 x .7 = $14,000
Greater than or equal to 25%, but less than 30%	Annual federal allocation (FCC) subject to default rate penalty of .7	
Greater than or equal to 30%	No FCC. Default rate penalty = 0	

If a school's Federal Perkins Loan cohort default rate equals or exceeds 15 percent, the school must establish a default reduction plan that is approved by ED.

Measures that a school must take under a Federal Perkins Loan Program default reduction plan are similar to those that apply to a school with a high Federal Family Education Loan (FFEL) Program cohort default rate.

A school that has established a FFEL Program default reduction plan may apply that plan to its Federal Perkins Loan borrowers, if the school notifies ED that it agrees to do so.

NEW REQUIREMENTS FOR THE FEDERAL WORK-STUDY (FWS) PROGRAM

The Higher Education Amendments of 1992 broadened the purpose of the Federal Work-Study (FWS) Program to encourage FWS students to participate in community service activities.

To ensure that FWS students have an opportunity to perform community service activities, a school must:

1. Use at least 5 percent of its FWS allocation to compensate students employed in community service jobs; and
2. Inform all eligible students of the opportunity to perform community services.

Definition of Community Service

Community services are defined in Section 675.2(b) of the Federal Work-Study regulations. Basically, community services are those that are designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs.

Recognized community service activities for purposes of the FWS Program are summarized in the chart on the following page.

COMMUNITY SERVICE ACTIVITIES AND PROGRAMS

Services with local nonprofit, governmental, and community-based organizations, designed to improve the quality of life for community and low-income residents.[1]

- Service in field of:
  - Health or child care
  - Literacy training
  - Education (including tutorial services)
  - Welfare
  - Social services
  - Transportation
  - Housing and neighborhood improvement
  - Public safety
  - Crime prevention and control
  - Recreation
  - Rural development
  - Community improvement

- Support services to students (other than a school's own students) with disabilities

- Mentoring services for purposes of:
  - Tutoring
  - Supporting educational and recreational activities
  - Counseling, including career counseling

- Service opportunities or youth corps defined under National and Community Service Act of 1990,[2] such as:

Conservation Corps Programs

- Conservation, rehabilitation, and the improvement of wildlife habitat, rangelands, parks, and recreation areas;
- Urban and rural revitalization, historical and site preservation, and reforestation of both urban and rural areas;
- Fish culture, wildlife habitat maintenance and improvement, and other fishery assistance;
- Road and trail maintenance and improvement;
- Erosion, flood, drought, and storm damage assistance and controls;
- Stream, lake, waterfront harbor, and port improvement;
- Wetlands protection and pollution control;
- Insect, disease, rodent, and fire prevention and control;
- Improvement of abandoned railroad beds and rights-of-way; and
- Energy conservation projects, renewable resource enhancement, and recovery of biomass.

Human Service Corps Programs

- State, local, and regional governmental agencies;
- Nursing homes, hospices, senior centers, hospitals, local libraries, parks, recreational facilities, child and adult day care centers, programs serving individuals with disabilities, and schools;
- Law enforcement agencies, and penal and probation systems;
- Private nonprofit organizations that primarily focus on social service such as community action agencies; and
- Activities that focus on the rehabilitation or improvement of public facilities, neighborhood improvements, literacy training that benefits educationally disadvantaged individuals, weatherization of and basic repairs to low-income housing including housing occupied by older adults, energy conservation (including solar energy techniques), and removal of architectural barriers to access by individuals with disabilities to public facilities.

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1 For a complete definition of community services, see Dear Colleague Letter CB-94-4.

2 For a complete listing of service opportunities and youth corps programs, see Section 101, National and Community Service Act of 1990.

Other related types of jobs may be acceptable for community service employment if the activities of the student's employment meet the basic requirements of the regulatory definition of community service.

Priority should be given to jobs that address the human, educational, environmental, and public safety needs of low-income individuals.

Establishing Community Service Jobs

In identifying potential community service opportunities, a school should examine its academic programs to:

1. Determine the types of community service activities it may want to establish or become involved with; and

2. Identify students interested in community service.

All on-campus FWS jobs must reinforce and complement the student's educational program or vocational goals, to the maximum extent practical. ED encourages, but does not require, that off-campus FWS employment be related to the student's academic or vocational goals.

Community service employment may be on- or off-campus. Existing on- and off-campus jobs may be reviewed to determine which of those jobs meet the community service definition.

Schools also are required to identify areas of community service for both potential on-campus and off-campus jobs through formal and informal consultation with local nonprofit, governmental, and community-based organizations.

Off-Campus Community Service Employment

In consulting with off-campus nonprofit organizations, a school should:

1. Examine the community service activities in which those organizations are currently involved; and
2. Explore other types of community service activities that those organizations would like the school's students to provide.

Since not all off-campus nonprofit organizations may qualify as employers for FWS community services purposes, schools must determine that:

1. The organization's specific services and activities satisfy the FWS definition of community services; and
2. FWS general employment conditions and limitations are not violated.

FWS community service employment:

1. Must pay at least the minimum wage rate;
2. May not displace regular workers;
3. May not involve the construction, operation or maintenance of any part of a facility that is used for religious worship or sectarian instructions; and
4. Must be in the public interest.

Once community service employment opportunities have been identified, the school and the nonprofit organization must:

1. Develop a job description for each community service job; and

2. Enter into an off-campus FWS community service agreement.

Each FWS community service job description must include all of the duties and responsibilities that the student is to perform. The school also must ensure that the student's FWS community service activities and duties:

1. Provide services that improve the quality of life for community residents; or

2. Solve a particular need of community residents; and

3. Are in the public interest.

The model FWS off-campus agreement that is contained in Appendix B of the FWS regulations may be used for off-campus FWS community service employment. The school may modify the wording of that model agreement to reflect FWS community service employment requirements.

On-Campus Community Service Employment

If the employment is on-campus, the community service must be available to all members of the community, and not just to those individuals formally affiliated with the school (i.e., students, faculty, administrators, or other employees of the school).

The community service also must be open and accessible to the community. The school must document that it has publicized the service to the community, and that members of the community use the service.

Example: A school operates a tutoring program that is not restricted to students enrolled in the school's academic programs. The school informs all elementary and secondary schools in its community of the availability of its tutoring program. The school also advertises the tutoring program in the local press, through local churches, and by posting notices in local stores. If students other than those enrolled at the school use the tutoring program, an FWS student employed as a tutor in the program would be considered to be employed in community service.

Community Service Waiver

If the use of FWS funds for community service would cause a hardship to the school's students, ED may waive the FWS community service expenditure requirement if the school can demonstrate that the minimum five percent requirement would cause a hardship for students at the school. The fact that it may be difficult for a school to comply is not a basis for a waiver.

SESSION #5

Student Loan Program Management

Session Objectives

- Trainees will be able to:

1. Calculate the amount of loan eligibility;
2. Explain how a student attains eligibility for an additional loan;
3. Schedule the disbursement of loans;
4. Describe tasks the school must perform prior to the disbursement or delivery of any loan proceeds;
5. Identify the repayment provisions governing William D. Ford Direct Loans (Direct Loans) and Federal Family Education Loan (FFEL) Program loans;
6. Identify options for originating Direct Loans;
7. Describe Direct Loan disbursement requirements;
8. Explain special features of Direct PLUS and Direct Consolidation loans; and
9 Describe the disbursement of FFEL Program loans.

Sources for Further Study

- The Elementary and Secondary Education Act of 1994 (Public Law 103-382)
- Federal Register, December 1, 1994 (Direct Loan Program participation and origination criteria for year three)
- Federal Register, November 29, 1994 (FFEL Program conforming regulations)
- Federal Register, June 29, 1994 (FFEL repayment, deferment, and forbearance requirements)
- Federal Register, June 28, 1994 (FFEL Program-General Administration)
- Federal Register, May 17, 1994 (technical corrections to the December 18, 1992 FFEL Program regulations)
- Federal Register, April 29, 1994 (FFEL Program closed schools, false certification, and the discharge of loans)
- Federal Register, April 26, 1994 (Direct Loan Program origination requirements for year two)
- Dear Colleague Letter GEN 94-41 (loan fees and cost of attendance)
- Federal Student Financial Aid Handbook, Chapter 10
- Direct Loan School Guide

CALCULATING THE LOAN AMOUNT

Under the Direct Loan Program and the FFEL Program, the school is responsible for:

1. Determining the borrower's loan eligibility; and
2. Calculating the loan amount.

The amount of the borrower's eligibility for each of the loan programs is calculated according to the formulas on the following chart.

FORMULAS FOR DETERMINING DIRECT LOAN AND FFEL PROGRAM LOAN AMOUNTS

Direct Subsidized/Federal Stafford Loans [1]

Cost of Attendance (COA)[2]

— Expected Family Contribution (EFC)

— Estimated Financial Assistance (EFA)

= Eligibility for Direct Subsidized/Federal Stafford (up to annual or aggregate limit, whichever is less)

Direct Unsubsidized/ Federal Unsubsidized Stafford, and Direct PLUS/Federal PLUS Loans [3]

Cost of Attendance (COA)[2]

— Estimated Financial Assistance (EFA)

= Eligibility for Direct Unsubsidized Stafford/Federal Unsubsidized Stafford or Direct PLUS/Federal PLUS (up to annual or aggregate limit, whichever is less)

[1] The official names of the subsidized loan programs are:
- Federal Direct Stafford/Ford Loan Program
- Federal Stafford Loan Program

[2] The COA must include the amount of the loan fee charged on a Federal Direct Loan, or the amount of the loan's origination fee and/or insurance premium charged on a FFEL Program loan. The amount of loan charges included may be the actual amount or an average allowance.

[3] The official names of the loan programs are:
- Federal Direct Unsubsidized Stafford/Ford Loan Program
- Federal Unsubsidized Stafford Loan Program
- Federal Direct PLUS Loan Program
- Federal PLUS Loan Program

The first component in the formulas is cost of attendance (COA). If the student (or the student's parent) is expected to receive a loan, the COA must include any loan fee, loan origination fee, or insurance premium.

Borrowers of a Direct Loan are charged a 4 percent loan fee. Maximum fees for a FFEL Program loan are:

1. A 3 percent origination fee; and

2. A 1 percent insurance fee.

When calculating the COA, schools may use the actual amount or an average amount of these loan charges, and may make this choice on a student-by-student basis.

If the actual amount of the student's loan charges is included, the school may calculate the student's COA only once when determining the amount of loan eligibility. That is, the student's loan eligibility does not have to be recalculated to reflect the small increase resulting from inclusion of the loan costs in the COA.

If an average amount of loan charges is included, the school may use:

1. A single average cost for all of its students; or

2. Different average costs for different categories of its students.

Regardless of the method used to calculate average loan charges, that average is always based on the loan charges incurred by the school's borrowers.

Regulatory requirements also apply for determining the amount of the student's estimated financial assistance, and are summarized in the following chart.

DETERMINING ESTIMATED FINANCIAL ASSISTANCE FOR DIRECT LOANS/FFEL PROGRAM LOANS

Statutory definition of EFA: All scholarships, grants, loans or other assistance, including veterans education benefits, known to the school at the time the school determines the student's need.

Requirements

- For an undergraduate student, Federal Pell Grant eligibility must be determined and documented and, if the student is eligible, must be included even if the student didn't apply.
- Any need-based employment and available campus-based aid that the student is expected to receive must be included as EFA. If the student declined the school's offer of campus-based funds, the declined awards are not included in the EFA.*
- Any veterans benefits paid because of enrollment must be included as EFA.
- Effective 07/01/95, the gross amount (including fees) of all Direct Loans or FFEL Program loans for the enrollment period must be counted in the calculation of the EFA.
- Direct Unsubsidized Stafford, Federal Unsubsidized Stafford, Direct PLUS, Federal PLUS, state-sponsored and private loans for educational purposes may replace a portion or all of the EFC. Any of these loan amounts in excess of the EFC must be included as EFA.
- The EFA used to determine eligibility for a Direct PLUS or a Federal PLUS Loan must include a Direct Unsubsidized Stafford Loan or Federal Unsubsidized Stafford Loan only if the student applied for the loan or if the school knows that the student plans to apply for the loan.

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* Under current FFEL Program regulation, but not current Direct Loan Program regulations, the declined campus-based award must be included in the EFA *unless the student declined the campus-based aid for good reason.* For FFEL Program loans made on or after 07/01/95, the EFA does not include any campus-based aid declined by the student regardless of the student's reasons for declining the campus-based award. Beginning 07/01/95, the rules for determining EFA will be the same for the Direct Loan and FFEL Programs.

ANNUAL AND AGGREGATE LOAN LIMITS

Each loan program has an annual and an aggregate loan limit, which may not be exceeded. A program's aggregate loan limit includes any loans made under that program and its corresponding Direct Loan or FFEL Program loan program.

Annual and aggregate loan limits for programs of study that are at least one academic year in length are listed in the following chart.

DIRECT LOAN PROGRAM AND FFEL PROGRAM LIMITS [1]

Direct Stafford/Direct Unsubsidized Stafford and Federal Stafford/Federal Unsubsidized Stafford

Annual	Aggregate
For all students:	
$2,625 First-year undergraduate [2,3,5]	
$3,500 Second-year undergraduate in current program of study [2,3]	
$5,500 [2,4,6] Upon obtaining 3rd-year status in current program of study	$23,000 [7] Undergraduate
$8,500 For graduate/professional degree study	$65,500 [7] Graduate study (including amounts borrowed for undergraduate study)
For independent students, graduate/professional degree students, and dependent students for whom the aid administrator has made a professional judgment decision, the student has additional unsubsidized loan eligibility of:	
$4,000 First-year undergraduate [3,5]	
$4,000 Second-year undergraduate in current program of study [3]	
$5,000 [4,6] Upon obtaining 3rd-year status in current program of study	$23,000 [7] Undergraduate
$10,000 [5] For graduate/professional degree study	$73,000 [7] Graduate study (including amounts borrowed for undergraduate study)

Direct PLUS and Federal PLUS

Annual	Aggregate
Cost of attendance minus other aid per eligible dependent student	N/A

[1] A student with a bachelor's degree who is completing course work for a second undergraduate major, for which he/she **will not** receive a second bachelor's degree, is not eligible for any Direct Loan or FFEL Program assistance. A second major does not meet the definition of "educational credential", and thus the student would not meet the "regular student" definition.

[2] For dependent undergraduate students, the unsubsidized loan limit includes both subsidized and unsubsidized loans.

[3] A student enrolled in a 2-year undergraduate program is eligible each year for only the appropriate first-year or second-year annual loan limit, regardless of the number of years he/she attends.

[4] A student who has received an associate or baccalaureate degree and is enrolled in a new eligible program for which the prior degree was required for admission must be given credit for the prior undergraduate education in determining the appropriate undergraduate annual loan limit.

[5] A student with a bachelor's degree who must take additional courses in preparation for a graduate program may only borrow under the appropriate first-year undergraduate Direct Loan limit or FFEL Program loan limit. Graduate loan limits apply only when the student has been admitted as a degree candidate in a graduate program, and begins taking enough courses to qualify as at least half-time on the graduate level.

[6] A student enrolled in a teacher's certification or recertification program is considered the same as a fifth-year undergraduate student.

[7] Excluding any capitalized interest.

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PRORATED ANNUAL LOAN LIMITS

What Is Proration?

Proration is the required reduction of the annual maximum loan amounts that a student may receive under the base Stafford (both subsidized and unsubsidized) and the additional subsidized Stafford programs.

Prorated or reduced annual loan limits apply to undergraduate borrowers of:

1. Direct Stafford Loans;
2. Direct Unsubsidized Stafford Loans;
3. Federal Stafford Loans; and
4. Federal Unsubsidized Stafford Loans.

A dependent or independent student may borrow a subsidized (need-based) or combined subsidized/unsubsidized loan, up to the annual or prorated limit. This is referred to as the "base amount". An independent student (or dependent student whose parents cannot borrow a PLUS loan) may also be able to borrow an "additional amount" of unsubsidized loan, up to the annual or prorated limit.

When Must You Prorate?

Loan limits must be prorated when:

1. The program length is less than the statutory minimum academic year in clock or credit hours;
2. The program length is less than 30 weeks and an ED waiver of the 30-week requirement does not apply; or

3. The program is one academic year or longer and the student is in a final period of study that is less than an academic year in length.

How Do You Prorate?

The guidelines for proration depend on the following factors:

1. The student's grade level;
2. The length of the student's program of study;
3. Whether you are calculating the base or additional loan eligibility limits; and
4. Whether the student's program is term-based or nonterm.

The following chart provides an overview of the loan proration guidelines based on these factors.

LOAN PRORATION:
FEDERAL DIRECT LOAN AND FEDERAL FAMILY EDUCATION LOAN PROGRAMS

Program Length or Final Enrollment Period*	Grade Level					
	First-Year Undergraduate		Second-Year Undergraduate		Third-Year, Fourth-Year, and Fifth-Year Undergraduate	
	Base Stafford (sub and unsub)	Additional Unsub Stafford	Base Stafford (sub and unsub)	Additional Unsub Stafford	Base Stafford (sub and unsub)	Additional Unsub Stafford
1 academic year	$2,625	$4,000	$3,500	$4,000	$5,500	$5,000
Less than 1 and greater than or equal to 2/3 academic year	$1,750	$2,500	Proportional Proration**	$2,500	Proportional Proration**	Proportional Proration**
Less than 2/3 and greater than or equal to 1/3 academic year	$875	$1,500	Proportional Proration**	$1,500	Proportional Proration**	Proportional Proration**
Less than 1/3 academic year	0	0	Proportional Proration**	0	Proportional Proration**	Proportional Proration**

* Applies to:
1. Program of study that is shorter than an academic year;
2. Program of study that is longer than an academic year, but contains a final period of enrollment that is shorter than an academic year;

** Proportional Proration required: The maximum annual loan amount is the ratio that the remaining balance of the student's program bears to the academic year. For example: 600 clock hours of a programs remaining over 900 clock hours in the academic year equals 2/3 X $3,500 (annual loan maximum for full academic year) = $2,334 prorated annual loan maximum.

Grade Level

This is the first factor that a school should consider in determining the appropriate proration guidelines.

There are three grade levels that determine how you prorate:

1. First-year undergraduate study;
2. Second-year undergraduate study; and
3. Third-year, fourth-year, or fifth-year undergraduate study.

First-Year Undergraduate Level. For first-year undergraduate students in programs that are shorter than an academic year, the prorated annual loan limit is always a **fixed** amount based on whether the program is:

1. Less than an academic year, but greater than or equal to two-thirds of an academic year; or
2. Less than two-thirds of an academic year, but greater than or equal to one-third of an academic year.

If the program is less than one-third of an academic year, the student is not eligible for any Direct Loan or FFEL Program loan.

Fixed prorated amounts apply to both the base and additional loan eligibility limits. Further, fixed prorated amounts are the same regardless of whether the student is attending a term-based or nonterm program.

The following chart shows the statutory minimum requirements for:

1. A full academic year;
2. At least two-thirds but less than a full academic year; and

3. At least one-third but less than two-thirds of a full academic year.

Note that both hours and weeks must be considered when determining whether proration is required, and the lesser calculation determines the fixed prorated amount.

LOAN PRORATION: FEDERAL DIRECT LOAN AND FFEL PROGRAMS
STATUTORY PRORATION

Program Length	Ranges
1 academic year – statutory requirement	900 clock hours 24 semester hours 36 quarter hours 30 weeks
At least 2/3 but less than one full academic year*	600 - 899 clock hours 16 - 23 semester hours 24 - 35 quarter hours 20 - 29 weeks
At least 1/3 but less than 2/3 of a academic year*	300 - 599 clock hours 8 - 15 semester hours 12 - 23 quarter hours 10 - 19 weeks

* Note: Proration must be calculated using both hours and weeks, and is based on the lesser

The **fixed** amount proration is determined using the following fractions:

(1)

$$\frac{\text{Credit/clock hours in the program}}{\text{Credit/clock hours in the school's definition of an AY}^{*}}$$

**within statutory requirements*

(2)

$$\frac{\text{Weeks of instructional time in remaining portion of student's program}}{\text{30 weeks in statutory definition of an AY}}$$

The smaller of the two fractions is then used to determine whether the program is:

1. At least two-thirds of an academic year;
2. At least one-third of an academic year; or
3. Less than one-third of an academic year.

The chart on Page TG 5-10 shows the loan limit that corresponds to the fraction of the year calculated above. Note that the loan limits for the base and additional unsubsidized amounts are different.

A student enrolled in a program that is shorter than an academic year may never borrow for that program an amount more than the prorated first-year annual loan limit, regardless of how long it takes the student to complete the program.

Example: **Clock-hour program of study, shorter than an academic year**

✦ Academic year: 900 clock hours
30 weeks

✦ Program: 600 clock hours
15 weeks

✦ Proration:

$$\frac{\text{600 clock hours in the program}}{\text{900 clock hours in school's definition of AY*}} = \frac{2}{3}$$

* within statutory requirements

$$\frac{\text{15 weeks of instructional time in the program}}{\text{30 weeks in statutory definition of an AY}} = \frac{1}{2}$$

- Use the lesser of the two calculations.
- Since the program is shorter than an academic year, fixed prorated amounts apply to both the base and additional loan eligibility limits.
- Base maximum loan limit = $875
- Additional maximum loan limit = $1,500

Second-Year Undergraduate Grade Level. For students who have successfully completed their first undergraduate year of study and are now in the second-year grade level, proration is only required if the remaining portion of a student's program of study is less than an academic year. For these students, proration rules differ for base Stafford and additional unsubsidized Stafford loans. Proration guidelines also depend on whether the student's program is term-based or nonterm.

•*Term-Based Program and Nonterm Program Guidelines.* For term-based programs, the school first determines whether the remaining portion of the **term-based** program is less than an academic year based on:

1. The number of terms that are in the program's academic year; and

2. The number of terms it takes for the student to complete the remaining portion of his or her program.

Proration is required only if the number of terms in which the student will complete the remaining portion of his or her program is less than the number of terms in the program's academic year.

Example: A student has applied for a loan to cover the costs of the 12 remaining hours of his program. The academic year for the student's program consists of two semesters.

1. If the student plans to complete the remaining 12 hours in one semester:

   a. The remaining portion is shorter than an academic year; and

   b. Loan proration is required.

2. If the student plans to complete the remaining portion in two semesters:

   a. The remaining portion is equal to an academic year; and

   b. Loan proration is not required.

For **nonterm** programs that are longer than an academic year, proration is required if the remaining number of hours to be completed is less than the minimum number of credit or clock hours in the program's academic year.

Example: A student is enrolled in a 1,500-clock-hour program. The program's academic year is defined as 900 clock hours and 30 weeks. If the student is applying for a loan for the final 600 clock hours of his program, the loan must be prorated since 600 clock hours is less than an academic year.

Once the student has borrowed this prorated annual loan limit, the student is not eligible for any further Direct Loan or FFEL Program loan for his program of study.

If loan proration is required, the base loan eligibility amount is calculated using the following **proportional** fraction:

$$\frac{\text{Credit/clock hours in remaining portion of the student's program}}{\text{Credit/clock hours in the program's AY}^{*}}$$

**within statutory requirements*

The base annual loan limit is multiplied by the above fraction.

The additional unsubsidized amount is determined using the **fixed** proration amounts that apply to second-year undergraduate students.

The example on the following page shows the calculations for both the base and the additional unsubsidized loan amounts.

Example: An independent student has 6 hours remaining in a two-year associate degree program, which he will complete in one final semester. He has applied for a subsidized and an unsubsidized loan. The school defines the program's academic year as 24 semester hours and 30 weeks. Each semester is 15 weeks long.

Reduced loan limits apply since the remaining portion (i.e., one semester) is less than an academic year. The base amount of the student's subsidized/unsubsidized loan eligibility is calculated using the proportional fraction. The portion of the academic year represented by the remaining credit hours is:

$$\frac{\text{6 semester hours remaining in the program}}{\text{24 semester hours in school's definition of an AY*}} = \frac{1}{4}$$

**within statutory requirements*

The "base amount" of the student's subsidized/unsubsidized loan eligibility is calculated:

$$\frac{1}{4} \times \text{\$3,500 (the second-year annual loan limit)} = \text{\$875}$$

The student's eligibility for the "additional" unsubsidized Stafford is a fixed amount proration based on the lesser of the two following fractions:

$$\frac{\text{6 semester hours remaining in the program}}{\text{24 semester hours in school's definition of an AY*}} = \frac{1}{4}$$

**within statutory requirements*

$$\frac{\text{15 weeks remaining in the program}}{\text{30 weeks in statutory definition of an AY}} = \frac{1}{2}$$

Since the remaining number of hours is less than one-third of an academic year, the student is ineligible for any "additional" unsubsidized loan.

Third-Year, Fourth-Year, or Fifth-Year Undergraduate Levels. For students who have successfully completed their second year of undergraduate study and are now in the third-year, fourth-year, or fifth-year grade level, the proration guidelines depend on whether the program is term-based or nonterm-based. Following the term-based and nonterm program guidelines on pages TG 5-14 and TG 5-15 first determine if proration is required.

If proration is required, use the **proportional** fraction formula on Page TG 5-16 to calculate both the base and the additional unsubsidized loan amounts.

Example: **Term-based program greater than 2 academic years, remaining portion shorter than an academic year**

- Academic year: 36 quarter hours
  30 weeks
- Program: 4 years
- After 3 years, the student enrolls half-time (12 quarter hours total) for 2 quarters to complete the program of study.
- Proration: Proportional proration applies to both the base and additional loan eligibility limits.

$$\textbf{Base maximum loan limit} = \frac{\text{12 hours in remaining portion of student's program}}{\text{36 hours in program's AY*}} \times \$5{,}500 = \$1{,}833$$

$$\textbf{Additional maximum loan limit} = \frac{\text{12 hours in remaining portion of student's program}}{\text{36 hours in program's AY*}} \times \$5{,}000 = \$1{,}667$$

* within statutory requirements

CASE STUDIES — PRORATED LOAN LIMITS

For each of the following case studies, assume that the student demonstrates need for the maximum amount of loan for which he or she is eligible.

Case Study 1

Anne is a dependent student enrolled in a 750-clock-hour program. Her program is scheduled to extend over 15 weeks. The academic year for Anne's program is defined as 900 clock hours and 30 weeks. What are the maximum amounts of Direct Stafford and Direct Unsubsidized Stafford for which Anne is eligible?

Case Study 2

Bill is an independent student completing a four-year bachelor's degree program. He has been enrolled for 8 semesters. Each semester is 15 weeks long. The academic year for his program is defined as 24 semester hours and 30 weeks. Bill needs only 15 semester hours to complete the requirements of his program. Although he would like to complete these remaining 15 credit hours during the upcoming fall semester, he has been offered an off-campus job that will begin in September. If he decides to take the job, he will enroll for 9 hours in the fall semester, and 6 hours in the spring semester. Since the amount of loan he may borrow is a factor in making his decision, he asks the aid administrator to compute the maximum amount he may borrow if he completes his program:

1. After the fall semester; or
2. After the fall and spring semesters.

Case Study 3

Carl is an independent student enrolled in a 1,350-clock-hour program, which is expected to last 45 weeks. The academic year for Carl's program is defined as 900 clock hours and 30 weeks. The academic year is divided into two payment periods of 450 clock hours each. Carl borrowed a $2,625 Federal Stafford Loan for the program's first 900 clock hours, and has applied for the maximum amount of subsidized and unsubsidized Federal Stafford Loan for the remaining 450 clock hours of his program. What is the maximum amount of his loan eligibility for the 450 clock hours?

SOLUTIONS TO PRORATION CASE STUDY SCENARIOS

Solution 1

"Fixed amount" prorated loan limits apply since Anne's program of study is less than an academic year. The school determines the portion of the academic year represented by the clock hours and weeks in her program as follows:

$$\frac{\text{750 clock hours in the program}}{\text{900 clock hours in the statutory definition of an AY}} = \frac{5}{6}$$

$$\frac{\text{15 weeks in the program}}{\text{30 weeks in the statutory definition of an AY}} = \frac{1}{2}$$

Since Anne's program is less than one academic year but greater than one-third of an academic year, the maximum Direct Stafford Loan she may borrow is $875. She is not eligible for any Direct Unsubsidized Stafford Loan since $875 is the maximum amount she may borrow under both loan programs for her program of study.

Solution 2

"Proportional" prorated loan limits would apply only if Bill decides to complete his program during the fall semester. In this situation, proration is based on the number of credit hours remaining in Bill's program. The school determines the portion of the academic year represented by the remaining credit hours in his program as follows:

$$\frac{\text{15 credit hours remaining in the program}}{\text{24 credit hours in the statutory definition of an AY}} = \frac{5}{8}$$

The prorated annual loan limits are calculated:

$\$5{,}500 \times \frac{5}{8} =$ $3,438 base amount of subsidized/ unsubsidized Federal Stafford eligibility

$\$5{,}000 \times \frac{5}{8} =$ $3,125 additional unsubsidized Federal Stafford eligibility

If Bill enrolls at least half-time for both semesters, he would be eligible for the full fourth-year maximum annual loan limits.

Solution 3

Prorated loan limits apply since the remaining portion of Carl's program is less than an academic year. Because Carl is in the second academic year of his program and is an independent student, he is subject to "proportional" proration for the base amount of subsidized/unsubsidized Stafford eligibility and a "fixed amount" proration for additional unsubsidized Stafford eligibility.

The school determines the portion of the academic year represented by the remaining clock hours in his program as follows:

$$\frac{\text{450 clock hours remaining in the program}}{\text{900 clock hours in one program's AY*}} = \frac{1}{2}$$

* within statutory requirements

The maximum amount of subsidized Federal Stafford Loan eligibility is calculated:

$$\$3{,}500 \quad \times \quad \frac{1}{2} \quad = \quad \text{\$1,750 subsidized Federal Stafford eligibility}$$

Carl is not eligible for any base amount of unsubsidized Federal Stafford Loan since $1,750 is the maximum amount of his "base" subsidized and unsubsidized loan eligibility for the remaining 450 clock hours of his program.

Carl's additional unsubsidized Stafford eligibility is calculated using the lesser of the following two fractions:

$$\frac{\text{450 clock hours remaining in the program}}{\text{900 clock hours in one program's AY*}} = \frac{1}{2}$$

* within statutory requirements

$$\frac{\text{15 weeks remaining in the program}}{\text{30 weeks in the statutory definition of an AY}} = \frac{1}{2}$$

Since the remaining portion of Carl's program is less than two-thirds of an academic year but greater than one-third of an academic year, Carl is eligible for a maximum of $1,500 under the additional unsubsidized annual loan limit.

DETERMINING THE FREQUENCY OF ANNUAL LOAN LIMITS

If a student enrolled in a program longer than an academic year has borrowed the maximum annual loan limit, an academic year must elapse before the student regains eligibility to borrow another Direct Loan or FFEL Program loan.

Schools are responsible for monitoring the student's borrowing. If the annual loan limit is exceeded, the student loses Title IV eligibility for the remainder of the academic year. However, if the student inadvertently borrowed in excess of the annual loan limit, the student may regain Title IV eligibility by repaying the amount borrowed in excess.

Different options exist for determining when the student regains eligibility for an additional loan.

Term-based Programs

For students enrolled in term-based programs, a school may define the student's academic year under:

1. A scheduled academic year standard; or

2. A borrower-based academic year standard.

A scheduled academic year corresponds to the fixed academic year or fixed calendar period that is published in the school's catalogue and other printed materials. It is a fixed period of time that generally begins and ends at the same time each calendar year. A student is not required to attend each term within a scheduled academic year.

A "borrower-based academic year":

1. Floats with the student's attendance and progression in his or her degree program;

2. Corresponds to the scheduled academic year, or includes a period of enrollment the student would not be required to attend and a term within the scheduled academic year; and

3. May begin with any term within a calendar year provided the student is enrolled at least half time during that term.

The student need not attend more than one term in his or her borrower-based academic year, but the borrower-based year must begin with a term the student actually attends.

For term-based programs, a school may choose either academic year standard only if:

1. There are at least 30 weeks in the school's scheduled academic year; or

2. ED has granted the program a waiver of the minimum 30-week requirement.

As long as the school meets the requirements of each standard, the school may:

1. Apply either standard on a student-by-student basis;

2. Switch between standards for a given student; or

3. Establish a policy using:

    a. One or the other standard as an institutional standard; or

    b. A particular standard for a group of students, such as students enrolled in a particular program of study.

The school **must use a scheduled academic year that meets the statutory requirements of an academic year** when determining a student's loan eligibility if:

1. The school's academic year contains fewer than 30 weeks; and

2. The program was not granted a waiver of the minimum 30-week requirement.

If a school has a choice of academic year standards, the school should have a written policy that explains how it chooses to apply these options when certifying loan eligibility.

Scheduled Academic Year Standard

A scheduled academic year is always based on a fixed period of time. However, if the school is using the scheduled academic year standard and the program's scheduled academic year does not include a summer term, the school must assign a student's summer loan application to a particular scheduled academic year.

Under the scheduled academic year standard, if the school's summer term consists of mini sessions, all of the mini sessions may be counted as a single term even though a student does not attend all of the mini sessions. However, the cost of attendance for the summer term may not include any costs for a period during which the student is not enrolled.

1. A school may assign a student's summer loan application to a particular scheduled academic year by adding the summer term:

    a. To the end of a scheduled academic year as a "trailer"; or

    b. To the beginning of a scheduled academic year as a "leader."

2. The school also may switch between using the summer term as a "trailer" or a "leader" at a later point in the student's program provided:

   a. Annual loan limits are not exceeded; and

   b. Academic years do not overlap.

The school also may consider mini sessions offered during the summer as individual terms assigned to different scheduled academic years, and designate:

1. One mini session as a "trailer"; and

2. Another mini session as a "leader".

In addition, the school may switch the student to a borrower-based academic year, but only if:

1. There are at least 30 weeks in the program's scheduled academic year; or

2. ED has granted the program a waiver of the minimum 30-week requirement.

Once a student has borrowed the maximum annual loan limit for a particular loan program during the academic year, the student is not eligible for any additional amount for that academic year unless the student:

1. Progresses to a different grade level that has a higher annual loan limit; or

2. Enrolls in another program that has a higher annual loan limit, such as a transfer from:

a. An associate degree program to a bachelor's degree program; or

b. A bachelor's degree program to a graduate or professional degree program.

If the student's dependency status changes from dependent to independent during the academic year, the student may be considered for the "additional amount" of a Direct Unsubsidized Stafford Loan or a Federal Unsubsidized Stafford Loan based on the change in dependency status.

In each of these situations, the additional amount of loan the student may obtain is limited to the difference between the applicable annual loan limits.

Borrower-Based Academic Year Standard

The borrower-based academic year the school establishes must meet the statutory requirements of an academic year or its equivalent.

For term-based programs, the borrower-based academic year:

1. Must consist of at least the same number of terms that are in the school's scheduled academic year;

2. May include only those terms in which it is possible for students to enroll at least half-time; and

3. Need not, if it does not correspond to the scheduled academic year, contain 30 weeks of instructional time or the minimum number of credits required for the scheduled academic year.

A student does not regain eligibility for an additional annual loan limit until the calendar period associated with all of the terms in the student's borrower-based academic year has elapsed.

A student's borrower-based academic year that includes a summer term generally will not correspond to the scheduled academic year, and therefore need not contain 30 weeks of instructional time or the minimum number of credit hours required for the scheduled academic year.

In a borrower-based academic year, all mini sessions offered during the summer **must be** counted as a single term. If the student does not enroll in all of the mini sessions, the COA includes only those costs for the mini session(s) in which the student is enrolled.

If the school has the option of using either academic year standard:

1. Any change in academic year standards may not result in the student's exceeding his or her maximum annual loan limit; and

2. The school should have a written policy that explains how it chooses to apply these options.

Once a student has borrowed the maximum annual loan limit for a particular loan program during his or her borrower-based academic year, the student is not eligible for any additional amount for that loan period unless the student:

1. Progresses to a different grade level that has a higher annual loan limit; or

2. Enrolls in another program that has a higher annual loan limit, such as a transfer from:

    a. An associate degree program to a bachelor's degree program; or

    b. A bachelor's degree program to a graduate or professional degree program.

If the student's dependency status changes from dependent to independent during the borrower-based academic year, the student may be considered for the "additional amount" of a Direct Unsubsidized Stafford Loan or a Federal Unsubsidized Stafford Loan based on the change in dependency status.

In each of these situations, the additional amount of loan the student may obtain is limited to the difference between the applicable annual loan limits.

Nonterm Programs

For students enrolled in nonterm programs, a school may define the student's academic year only in terms of a borrower-based academic year, which must meet the statutory minimum requirements of an academic year. A student does not regain eligibility for an additional annual loan limit until he or she completes **both**:

1. The required number of weeks in the statutory definition of an academic year; and
2. The number of credit or clock hours in the statutory definition of an academic year.

Once a student has borrowed the loan's maximum annual limit for a particular loan program during his or her borrower-based academic year, the student is not eligible for any additional amount for that loan period unless the student:

1. Enrolls in another program that has a higher annual loan limit; or
2. For purposes of a Direct Unsubsidized Stafford Loan or a Federal Unsubsidized Stafford Loan only, has a change in dependency status from dependent to independent.

The additional amount of loan the student may obtain for the same borrower-based academic year is limited to the difference between the applicable annual loan limits.

Transfer Students

For transfer students, the new school must determine whether the loan period for a loan obtained at the prior school overlaps with the loan period on the student's current loan application. To make this determination, the new school:

1. May obtain documentation from the prior school that identifies the type of academic year (i.e., scheduled or borrower-based) used to certify the student's prior loan; or

2. May count the number of weeks that have elapsed since the beginning date of the student's prior loan period as reported on the student's financial aid transcript.

    a. If there are at least 30 weeks, no overlap exists.

    b. If there are fewer than 30 weeks, the full amount of the previous loan borrowed (i.e., the amount disbursed plus any loan charges) must be deducted from the applicable annual loan limit for the loan being certified.

However, in this situation, the new school may want to obtain documentation regarding the academic year used by the prior school for the previous loan. If the documentation reveals that the student's prior loan covered the last term in the prior school's academic year, the student would be eligible for the full annual loan limit at the new school.

The chart on the following page highlights the main points of this discussion on determining the frequency of annual loan limits.

FREQUENCY OF ANNUAL LOAN LIMITS

	Term based Programs	Nonterm Programs
Scheduled Academic Year Standard (SAY)	✦ Begins at the same time each year ✦ School must use a SAY that meets the statutory requirements of an academic year ✦ Loan period may not always include all terms in SAY ✦ Borrower always regains eligibility at beginning of SAY ✦ All loans borrowed within SAY must be within annual limit for student's grade level • After original loan, additional loans are permissible if: a) Student has remaining eligibility; or b) Student progresses to the next grade level ✦ Summer term may be 'leader' or 'trailer'; per • Strict policy • By program • Case by case ✦ Mini sessions may be treated as a single term or individual terms assigned to different SAYs	✦ Not applicable
Borrower-Based Academic Year Standard (BBAY)	✦ Floats with student's enrollment ✦ School may use if SAY is at least 30 weeks ✦ Length of BBAY must equal number of terms in SAY, not including summer • Number of hours/weeks in BBAY need not meet 30-week minimum • BBAY begins with term in which student actually enrolls • BBAY may include terms student does not attend, if student could have enrolled at least half-time ✦ Mini sessions must be treated as a single term • Student need not enroll in all, but must have been able to enroll in all at least half-time ✦ School may use BBAY for • All students • Certain programs • Certain students ✦ May alternate SAY and BBAY for a student if no overlap of academic years	✦ BBAY must meet the minimum statutory requirements or equivalent ✦ Student may not borrow additional loan for progress to next grade level until the student completes the minimum number of weeks and credit/clock hours in an academic year

CASE STUDIES —
REGAINING ELIGIBILITY FOR AN ADDITIONAL ANNUAL LOAN LIMIT

For each of the following case studies, assume that the student demonstrates need for the maximum annual loan limit.

Case Study 1

Diane is a dependent student, and needs only 12 semester hours to complete a bachelor's degree program. The academic year for her program of study is 24 semester hours and 30 weeks. Although the school uses the scheduled academic year standard for monitoring the annual loan limits for all its students, the school will treat the summer term either as a "trailer" or a "leader" to the scheduled academic year. After completing the second semester of the fourth year, Diane has borrowed the following Direct Stafford Loans:

	1st Semester	2nd Semester	Summer
Year 1	$1,000	$1,000	$625 (trailer)
Year 2	$1,500	$1,500	$500 (trailer)
Year 3	$2,750	$2,750	
Year 4	$2,700	$2,000	

Grade Level 1 = $2,625
Grade Level 2 = $3,500
Grade Level 3 = $5,500
Grade Level 4 = $4,700

Diane would like to complete her program by enrolling during the summer. She has applied for a $1,000 Direct Stafford Loan. How much loan may be certified for the summer?

Case Study 2

Ed is a dependent student in a bachelor's degree program. Because of his summer enrollment, he has earned enough credit hours to classify as a fourth-year student after completing the first semester of Year 3. The academic year for his program of study is 24 semester hours and 30 weeks. The school uses both the scheduled academic year and borrower-based academic year standards for monitoring the annual loan limits. Using the scheduled academic year standard, the school has certified the subsidized Federal Stafford Loans listed on the following page for Ed.

Case Study 2 cont'd.

	1st Semester	2nd Semester	Summer
Year 1	$1,312	$1,313	
Year 2	$1,750	$1,750	$1,000 (leader)
Year 3	$2,375	$2,125	

Grade Level 1 = $2,625
Grade Level 2 = $3,500
Grade Level 3 = $5,500

Ed would like to apply for an additional $1,500 for the second semester of Year 3. Is he eligible for the additional amount, and if so, why?

Case Study 3

Frank is an independent student enrolled in a bachelor's degree program. He is beginning the fourth year of his program. The academic year for his program of study is 24 semester hours and 30 weeks. The school uses both the scheduled academic year and borrower-based academic year standards for monitoring the annual loan limits. Since he transferred to the school from a local community college during the middle of his second year, the school has used the borrower-based academic year standard when determining Frank's eligibility for loans. Frank did not borrow any loans while attending the community college. The school has certified the subsidized Federal Stafford Loans listed below for Frank.

	1st Semester	2nd Semester	Summer
Year 1			
Year 2		$2,000	$1,500
Year 3	$2,750	$2,750	$1,500

Grade Level 1 = 0
Grade Level 2 = $3,500
Grade Level 3 = $5,500
Grade Level 4 = $1,500

Frank would like to borrow the maximum amount of a subsidized Federal Stafford Loan for both terms of Year 4. How much is Frank eligible for each term?

CASE STUDY SOLUTIONS — REGAINING ELIGIBILITY FOR AN ADDITIONAL ANNUAL LOAN LIMIT

Solution 1

If the school continues to treat the summer term as a "trailer," Diane is only eligible for an additional $800 for the summer. However, if the school treats the summer as a "leader," this would be the beginning of a new scheduled academic year. In this situation, the loan must be prorated since the remaining portion of her program is less than an academic year. Diane could borrow the amount she requested for the summer only if the prorated annual loan limit is at least $1,000.

Solution 2

If the school continues to use the scheduled academic year standard, Ed would not be eligible for any additional loan for the second semester of Year 3. Even though Ed has advanced to the next grade level, the maximum annual loan limit for subsidized Federal Stafford Loans is the same for third- and fourth-year students. Under the scheduled academic year standard, Ed doesn't regain any loan eligibility until the summer.

However, if the school switches to the borrower-based academic year standard effective with the summer preceding Year 3, the summer and the first semester of Year 3 could constitute one borrower-based academic year. The second semester of Year 3 would begin a new borrower-based academic year and Ed would be eligible to borrow the additional $1,500 for the second semester.

Solution 3

The summer following Year 3 and the first semester of Year 4 constitute one borrower-based academic year. Since Frank has already borrowed $1,500 during the summer, the school may not certify more than $4,000 for the first semester of Year 4. The 12-week second semester of Year 4 begins another borrower-based academic year. Frank regains eligibility for an additional annual loan limit at that time. However, if the second semester of Year 4 is the final term of Frank's program of study, he is in a remaining period of enrollment and the loan must be prorated. The prorated amount would be $2,200 ($5,500 X 12/30 = $2,200).

MULTIPLE DISBURSEMENT REQUIREMENTS

The school is responsible for the disbursement schedule for each Direct Loan or FFEL Program loan. All Direct Loan and FFEL Program loan proceeds must be multiply disbursed. In addition:

1. No installment amount may exceed one-half of the loan proceeds; and

2. The second disbursement may not be made until at least one-half of the loan period has elapsed.

However, there are the following exceptions to the multiple disbursement requirement:

1. A single disbursement may be made if the first disbursement would take place on or after the time scheduled for the second disbursement.

2. For term-based programs only, a second or subsequent disbursement can be made before one-half of the loan period has elapsed in order for the disbursement to be made at the beginning of the second semester, quarter, or similar division of the school's academic period.

3. Multiple disbursements are not required for a student enrolled in an eligible foreign school, but are required for enrollment in study-abroad programs approved for credit by the home institution.

Under current FFEL Program regulations, if the second or subsequent disbursement is made before the midpoint of the loan period, then it may not be made earlier than 30 days before the next scheduled academic period begins.

Beginning July 1, 1995, if the FFEL proceeds are to be disbursed by means of an electronic funds transfer (EFT) or master check, the school may not request the disbursement earlier than the thirteenth day before the first day of the enrollment period. However, if a school is subject to the 30-day delayed delivery requirement, the school may not request the disbursement of the first installment of the student's loan earlier than twenty-fourth day of the student's enrollment period regardless of the method the FFEL lender uses to disburse the loan proceeds.

SCHOOL PAYMENT OF THE LOAN PROCEEDS

A school's payment of loan proceeds to the borrower is called:

1. Disbursement in the Direct Loan Program; or

2. Delivery in the FFEL Program.

Although the disbursement process differs for the two sets of loan programs, there are common responsibilities that schools must perform prior to the payment of any loan proceeds to borrowers.

SCHOOL REQUIREMENTS PRIOR TO DISBURSEMENT OF A DIRECT LOAN OR DELIVERY OF A FFEL PROGRAM LOAN

Requirements	Comments
✦ Confirm student eligibility including: ◇ At least half-time enrollment at time of Direct Loan disbursement or FFEL Program loan delivery [1]	◇ A temporary cessation of half-time enrollment permitted if school: • Recalculated student's COA and borrower still qualifies for full amount of the loan; and • Documents student's enrollment status, revised COA, and continued eligibility
◇ Continued satisfactory academic progress at time school's policy requires an assessment of satisfactory progress	◇ Assessment of satisfactory progress not required at time loan disbursed/delivered unless required by school's policy
◇ Verification completed, if required	
◇ Receipt of all required financial aid transcripts	
◇ Loan counseling completed, if required	◇ Entrance counseling required only for first-time student borrowers • For loans made prior to 07/01/95, "first-time" means first-time attendance at the school regardless of whether student borrowed a Direct Loan or a FFEL Program Loan at another school • For loans made on or after 07/01/95, a "first-time" borrower is a student who has not previously borrowed a Direct Loan or a FFEL Program loan
◇ No overaward exists at time of Direct Loan disbursement or FFEL Program loan delivery	◇ Sum of loan installment and student's other resources may not exceed student's need • All or portion of Direct Unsubsidized Stafford Loan, Federal Unsubsidized Stafford Loan, Direct PLUS, or Federal PLUS may be used to replace EFC • Determination excludes $300 FWS overaward tolerance for students with FWS awards • To eliminate amount in excess of need, school must: 1. return excess amount; and/or 2. adjust the amount of a subsequent disbursement
✦ 30-day delayed Direct Loan disbursement or FFEL Program loan delivery to student borrowers ◇ Applies only to first installment made to first-time borrower in the first-year of an undergraduate program ◇ Installment may not be paid until 30 days after the first day of student's program of study	◇ Not applicable if student borrowed a Direct Loan or FFEL Program loan at another school ◇ If a FFEL Program loan, school may not request the disbursement earlier than the twenty-fourth day of the student's enrollment period

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[1] If a student delayed his or her attendance in the program for a period less than 30 days, the school may consider the student as having maintained FFEL Program eligibility from the first day of the payment period, provided he or she is eligible at the time of disbursement or delivery.

Among those responsibilities is the requirement to perform entrance and exit loan counseling. ED provides schools participating in the Direct Loan Program with materials that may be used in performing entrance and exit counseling.

For schools that develop their own loan counseling materials, the following chart outlines the minimum regulatory requirements governing entrance and exit interviews.

ENTRANCE/EXIT LOAN COUNSELING

Direct Subsidized, Direct Unsubsidized, Federal Stafford and Federal Unsubsidized Stafford

HOW to cover:

ENTRANCE

- ✦ In-person presentation or by videotaped or computer-assisted technology. Individual with Title IV expertise must be available to answer borrower's questions.
- ✦ Written counseling materials permissible for students enrolled in correspondence study or study abroad programs.

OR *

- ✦ Alternate Entrance Counseling Approach* for Direct Loan borrowers only
  - Written counseling material provided to first-time Direct Loan borrowers
  - Counseling efforts are targeted for certain groups of borrowers
  - Entrance counseling plan must be part of school's quality assurance plan

EXIT

- ✦ In-person presentation.
- ✦ Written counseling materials: 1) permissible for students enrolled in correspondence study, or study abroad program; 2) mandatory for students who have withdrawn without notifying the school or failing to attend scheduled exit counseling.
- ✦ Provision must be made to collect required updates of information for reporting to lender (FFEL Program) or ED servicer (Direct Loans).

WHEN to cover:

ENTRANCE

- ✦ Prior to delivery of the first disbursement of a loan to any first-time borrower at the school

EXIT

- ✦ Shortly before any borrower ceases at least half-time enrollment or (by mail) within 30 days after learning that student has withdrawn or failed to attend scheduled exit counseling

WHAT to cover:

CORE ITEMS

(required for both entrance and exit counseling)

- ◇ Remind students to keep Direct Loan servicer/ FFEL lender informed
- ◇ Review loan terms and conditions
- ◇ Review student rights and responsibilities
- ◇ Review available repayment options
- ◇ Review deferment, forbearance, and cancellation conditions
- ◇ Review consequences of delinquency and default
- ◇ Emphasize that loan repayment is required even if program is not completed or doesn't meet borrower's expectations
- ◇ Counsel on personal financial planning
- ✦ Provide data on average indebtedness and average monthly repayment

ENTRANCE

- ✦ Emphasize the importance and seriousness of the borrower's repayment obligation
- ✦ Explore all sources of aid
- ✦ Stress constraints on aid
- ✦ Discuss annual loan frequency and school's policy on this and how it works
- ✦ Urge students to read and save all loan documents
- ✦ Describe consequences of multiple borrowing
- ✦ Review requirements for satisfactory academic progress
- ✦ Review school's refund policy
- ◇ Explain sale and servicing of loans

EXIT

- ✦ Review loan repayment obligations
- ✦ Provide information on debt management strategies
- ◇ Provide name and address of borrower's Direct Loan servicer and/or FFEL lender
- ◇ Obtain name and address of next of kin, borrower's expected address upon leaving school, and expected employer's name and address
- ◇ Correct institutional record, if needed, of borrower's name, address, social security number, references, next of kin, expected employment, and driver's license number

◇ Required for schools to comply with Appendix D (Default Reduction Measures, Student Assistance General Provisions regulations)

* Effective July 1, 1995.

Beginning July 1, 1995, if a school has a quality assurance plan under the Direct Loan Program, the school may develop a counseling plan under which it provides written entrance counseling materials to all students subject to this counseling requirement and more intensive counseling to students most likely to default. This alternative approach for entrance counseling may be used only for student borrowers of a Direct Loan.

Under the alternative approach, the school's entrance counseling plan:

1. Must focus on those factors that are related to the default of its students; and

2. Must be continually evaluated to assess its effectiveness in preventing default.

If ED determines that the school's plan is not adequate in preventing default, the school will not be permitted to use this alternative counseling approach.

REPAYMENT OF DIRECT LOANS AND FFEL PROGRAM LOANS

Most of the provisions governing the repayment of Federal Direct Loans and FFEL Program loans are similar.

Grace Period

A grace period is a period during which the borrower is not required to make payments on the loan. After a borrower has used up a loan's grace period, repayment of the loan must begin unless the borrower has been granted forbearance or deferment.

GRACE PERIODS FOR DIRECT LOANS AND FFEL PROGRAM LOANS

Direct Stafford Loan [1]	6 months.
Direct Unsubsidized Stafford Loan [1]	6 months on repayment of principal only. During the in-school and grace periods, interest may be paid or accrued and capitalized. "Capitalized" means accrued interest is added to the loan principal when the borrower enters repayment.
Direct PLUS Loan	None. Repayment of principal and interest begins on the date the loan is fully disbursed. Interest begins to accrue on the date of the loan's first disbursement.
Direct Consolidation Loans	6 months only if the Direct Consolidation Loan includes a Direct Loan or FFEL Program loan for which the borrower is in an in-school period at the time of consolidation. • If a Direct Subsidized Consolidation Loan eligible for a grace period, repayment begins the day after the grace period ends. • If a Direct Unsubsidized Loan eligible for a grace period, repayment of principal begins on the day after the grace period ends. During the in-school and grace period interest may be paid or accrued and capitalized. If borrower was not in an in-school period at time of consolidation, the repayment period begins on the day the loan is made.
Federal Stafford Loan [1]	6 months for all loans for periods of enrollment 01/01/81 and after. 9-12 months for all loans for periods of enrollment before 01/01/81.
Federal Unsubsidized Stafford [1]	6 months on repayment of principal only. Interest may be paid or accrued and capitalized during the in-school and grace periods. Accrued interest is added to the loan principal as the interest comes due. (This means "capitalized.")
Federal SLS [2,3] **and Federal PLUS**	None. Repayment of principal and interest begins on the date the loan is fully disbursed. Interest begins to accrue on the date of the loan's first disbursement. For Federal SLS borrowers and new borrowers of a Federal PLUS Loan on or after 07/01/93, repayment may be deferred while the student is enrolled at least half-time and interest may be capitalized.
Federal Consolidation Loan	None. Repayment of principal and interest begins on the day the loan is disbursed.

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[1] If the grace period has not already been used, the loan's grace period begins on the date the student ceased to be enrolled at least half-time.

[2] The Federal SLS program was discontinued on 07/01/94.

[3] Combined Federal SLS/Federal Stafford borrowers have the option to defer Federal SLS repayment for up to 6 months after at least half-time enrollment ceases. This provision applies only when the borrower's Stafford Loans have not entered repayment.

Interest Rates

Beginning in 1994, with the inception of the Direct Loan Program, Direct Loans and FFEL Program Loans have the same interest rates and interest rate caps.

Variable interest rates on subsidized and unsubsidized Federal Stafford Loans became effective for loans for which the first disbursement was made on or after October 1, 1992. Further FFEL Program variable interest rate changes as a result of the Omnibus Reconciliation Act of 1993 became effective July 1, 1994.

DIRECT LOAN PROGRAM AND FFEL PROGRAM INTEREST RATE PROVISIONS

	Direct Stafford Loans Direct Unsubsidized Stafford Loans	Direct PLUS Loans
Interest Rate	Variable rate; maximum annual rate 8.25%	Variable rate; maximum annual rate 9%
Interest Rate Formula	For loans first disbursed on or after 07/01/94 through 06/30/95: • Bond equivalent rate of 91-day Treasury bills auctioned at final auction prior to 06/01 plus 3.1%	For loans first disbursed on or after 07/01/94 through 06/30/98: • Bond equivalent rate of 52-week Treasury bills auctioned at final auction prior to 06/01 plus 3.1%
	For loans first disbursed on or after 07/01/95 through 06/30/98: • Bond equivalent rate of 91-day Treasury bills auctioned at final auction prior to 06/01 plus 3.1% if borrower is in repayment • Bond equivalent rate of 91-day Treasury bills auctioned at final auction prior to 06/01 plus 2.5%	

FFEL PROGRAM INTEREST RATES[1] PRIOR TO 07/01/94

Federal Stafford	Federal Unsubsidized Stafford	Federal PLUS
For loans to new borrowers without any outstanding FFEL balance and first disbursed on or after 10/01/92 and before 07/01/94: Variable rate; maximum annual rate 9%.	For loans to new borrowers without any outstanding FFEL balance and first disbursed on or after 10/01/92 and before 07/01/94: Variable rate; maximum annual rate 9%.	Variable rate; maximum annual rates for loans first disbursed: On or after 10/01/92 10%[2] On or after 07/01/87 and before 10/01/92 12%[2]
For loans to new borrowers with no outstanding FISL, Federal Stafford, or Federal Unsubsidized Stafford loan balance and first disbursed on or after 12/20/93 and before 07/01/94: Variable rate; maximum annual rate 9%.	For loans to new borrowers with no outstanding FISL, Federal Stafford, or Federal Unsubsidized Stafford loan balance and first disbursed on or after 12/20/93 and before 07/01/94: Variable rate; maximum annual rate 9%.	On or after 11/01/82 and before 07/01/87 12%[3]
For loans to new borrowers with any outstanding FFEL balance and first disbursed on or after 10/01/92 and before 12/20/93, 8%.	For loans to new borrowers with outstanding Federal SLS, Federal PLUS, or Federal Consolidation Loan balance and first disbursed on or after 10/01/92 and before 07/01/94, 8%.	On or after 10/01/81 and before 11/01/82 14%[3]
Borrowers of Federal Stafford Loans (e.g., 7%, 8%, 9%, or 8%/10%) and Federal Unsubsidized Stafford Loans prior to enactment of HEA Amendments of 1992 continue to borrow at rate previously borrowed until 07/01/94.	Borrowers of Federal Stafford Loans (e.g., 7%, 8%, 9%, or 8%/10%) and Federal Unsubsidized Stafford Loans prior to enactment of HEA Amendments of 1992 continue to borrow at rate previously borrowed until 07/01/94.	
Prior to the enactment of the HEA Amendments of 1992, different fixed-interest rate provisions applied to borrowers of subsidized Federal Stafford Loans depending upon when the student first borrowed a subsidized loan. If the loan was subject to the "windfall profits" provision of the HEA (otherwise known as the excess interest rate provision), the lender was required to convert the loan to an annual variable rate loan no later than 01/01/95.		

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[1] Federal SLS Program was eliminated on July 1, 1994. With the exception of Federal SLS loans first disbursed before 10/01/92, the interest rate on a Federal SLS is the same as the interest rate on a Federal PLUS. For Federal SLS loans disbursed between 10/01/92 and 07/01/94, the interest rate is 11%.

[2] Variable interest rate applies to new Federal SLS or Federal PLUS Loans.

[3] Variable interest rate applies to any calendar year.

Repayment Plans

Both the Direct Loan Program and the FFEL Program offer student and parent borrowers a choice of repayment plans. However, other than the standard repayment plan, the available repayment plan options are substantially different for the two sets of loan programs.

Although the repayment plan options differ for Direct Loan borrowers and FFEL Program borrowers, a choice of repayment plans must be given to:

1. All Direct Loan borrowers; and
2. All new student borrowers of a FFEL loan whose loans were first disbursed on or after July 1, 1993.

This choice must be given prior to the borrower's entering repayment. A "new borrower" of a FFEL loan is a student who had no outstanding balance on any FFEL Program loan as of July 1, 1993. (ED strongly encourages lenders to offer all other FFEL Program borrowers a choice of repayment options.)

Any borrower who has a choice of repayment options:

1. Must repay his or her loan according to the standard repayment plan, if the borrower fails to:
    a. Indicate his or her choice of repayment plan; or
    b. Provide the documentation required under any other repayment plan; and
2. May switch repayment plans under certain conditions specified in regulation.

If the borrower has loans from more than one loan program, the borrower:

1. Must repay all of his or her Direct Loans under the same repayment plan, unless the borrower has a Direct PLUS or a Direct Consolidation Loan; and

2. May be required by the FFEL Program to repay all of his or her FFEL Program loans under the same repayment plan.

Any Direct Loan or FFEL Program borrower may accelerate his or her repayments without penalty.

In addition, under the Direct Loan Program ED may establish, on a case-by-case basis, an alternative repayment plan for a borrower who demonstrates that the terms and conditions of the available repayment plans are inadequate to accommodate the borrower's exceptional circumstances.

DIRECT LOAN PROGRAM REPAYMENT PLANS

Standard Repayment Plan	• Fixed annual repayment amount paid over a fixed period of time[1] • Maximum repayment period 10 years[2] • $50 minimum monthly repayment
Extended Repayment Plan	• Fixed annual repayment amount paid over an extended period of time[1] • Maximum repayment period varies depending upon total amount of borrower's Direct Loans[2, 3] • $50 minimum monthly repayment
Graduated Repayment Plan	• Two or more graduated levels of repayment[1] • Maximum repayment period varies depending upon total amount of borrower's Direct Loans[2, 3] • Minimum scheduled payments may not be less than 50% nor more than 150% of amortized payment if loan repaid under the standard repayment plan. • Minimum monthly payment must at least cover interest that accrues monthly
Income Contingent Repayment Plan	• Not available to Federal Direct PLUS borrowers • Maximum repayment period may not exceed 25 years[4, 6] • Varying annual payment amounts generally based on AGI of borrower (and spouse, if jointly repaying their loans under this repayment plan) but will never exceed 20% of discretionary income, and total amount of Direct Loans according to one of 2 repayment options as determined by ED[5]

[1] Number of payments or fixed monthly repayment amount may be adjusted to reflect changes in the loan's variable interest rate.

[2] Excludes any period of authorized deferment or forbearance.

[3]
- 12-year maximum repayment period if total amount of Direct Loans is less than $10,000
- 15-year maximum repayment period if total amount of Direct Loans is between $10,000 and $19,999.99
- 20-year maximum repayment period if total amount of Direct Loans is between $20,000 and $39,999.99
- 25-year maximum repayment period if total amount of Direct Loans is between $40,000 and $59,999.99
- 30-year maximum repayment period if total amount of Direct Loans is equal to or greater than $60,000

[4] If the loan is not repaid within the maximum repayment period, the remaining portion of the loan is cancelled. Any cancelled loan amount is considered taxable income.

[5] If payment under the formula amount, no payment is required if the amount is less than $15. If payment under the capped amount, payment must be at least $15.

[6] Excludes any periods of authorized deferments or forbearance, and any periods during which borrower made repayments under extended plans with greater than 12-year terms, graduated plans, or alternative repayment plans.

FFEL PROGRAM REPAYMENT PLANS

Standard Repayment Plan	• Fixed annual repayment amount paid over a fixed period of time [1] • Maximum repayment period 10 years [2] • $50 minimum monthly repayment
Graduated Repayment Plan	• Repayment amount changes over the repayment period [1] • Repayment amount may increase or decrease • Increase not related to individual borrower or borrower's income level • Maximum repayment period 10 years [2]
Income Sensitive Repayment Plan	• Annual adjustment made to borrower's repayment schedule • Adjustment based on amount of borrower's expected total monthly gross income from all sources during the course of the repayment [3] • Maximum repayment period 10 years [4]

[1] Number of payments or fixed monthly repayment amount may be adjusted to reflect changes in the loan's variable interest rate.

[2] Excludes any period of authorized deferment or forbearance.

[3] If borrower is married, spouse's income is not included in determining the monthly repayment.

[4] Lender must grant the borrower forbearance up to a maximum of 5 years if a decrease in the monthly repayment amount associated with an income sensitive repayment schedule would result in the loan not being repaid within the maximum 10-year repayment period.

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Forbearance

Forbearance is:

1. The temporary cessation of payment;
2. The making of smaller monthly payments; or
3. An extension of time for making payments.

Unless the borrower requests otherwise, forbearance is the total cessation of payments.

Interest continues to accrue during periods of forbearance. Accrued interest:

1. May be paid or will be capitalized at the end of the forbearance period, if a Direct Loan; and
2. May be capitalized or paid as it becomes due, if a FFEL Program loan.

Under the FFEL Program, except for mandatory forbearance, the granting of forbearance is at the lender's option.

DIRECT LOAN PROGRAM FORBEARANCE [1] CRITERIA

General Forbearance [2]

- ✦ Poor health or other reasons acceptable to the Secretary
- ✦ Borrower serving in medical or dental internship or residency
- ✦ Borrower serving in national service position for which he/she receives a national service educational award under the National and Community Service Trust Act of 1993
- ✦ Borrower's total Title IV debt burden equals or exceeds 20% of borrower's total monthly income
  - Renewable in 12-month intervals up to a maximum of 3 years

Administrative Forbearance [3]

- ✦ Borrower was granted a deferment, but it was later learned that the borrower did not qualify for a deferment
- ✦ Period for which payments are overdue at the beginning of an authorized deferment
- ✦ Period beginning when the borrower entered repayment until the first payment due date was established
- ✦ Pending discharge of borrower's loan due to:
  - False certification of loan eligibility, or closed school
  - Borrower's bankruptcy
  - Death or total and permanent disability
- ✦ Variable interest rate on standard, extended, or graduated repayment schedule would result in loan not being repaid within maximum repayment period
  - Maximum forbearance 3 years
- ✦ Period of national military mobilization or other local or national emergency

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[1] Borrower must be willing but unable to make scheduled loan payments.

[2] Borrower must request forbearance and provide documentation that he/she qualifies for forbearance.

[3] Documentation not required for the granting of administrative forbearance.

FFEL PROGRAM FORBEARANCE [1] CRITERIA

Optional Forbearance

- Borrower (or endorser) is unable to make scheduled loan payments due to poor health or other acceptable reasons [2]

Optional Administrative Forbearance [3]

- Borrower does not qualify for a deferment because:
  - Borrower does not meet a deferment category; or
  - Loan is in default
- Borrower has died or become totally and permanently disabled [4]
  - Forbearance granted for a maximum of 60 days pending documentation of borrower's death or disability
- Pending discharge of borrower's loan due to: [4]
  - Attendance at a closed school
  - False certification of loan eligibility
  - Borrower's or endorser's bankruptcy
- At time of sale or transfer of borrower's loan, borrower is less than 60 days delinquent [4]
- Borrower's payment of interest and principal is overdue and:
  - For a properly granted period of deferment which the lender learns the borrower did not qualify;
  - Upon the beginning of an authorized deferment period;
  - For the period beginning when the borrower entered repayment until the first payment due date was established;
  - For a period authorized by ED in the event of a national military mobilization or other national emergency; or
  - For a period prior to the borrower's filing for bankruptcy

Mandatory Forbearance [4,5]

- Borrower's total Title IV debt burden equals or exceeds 20% of a borrower's total monthly income [4]
  - Forbearance of principal and interest unless borrower specifies principal only
  - Renewable in 12-month intervals up to a maximum of 3 years
- Borrower serving in a medical or dental internship or residency
- Borrower serving in a national service position for which he/she receives a national service educational award under the National Community Services Trust Act of 1993
- Borrower performing service that qualifies for partial repayment of loan under Department of Defense's Student Loan Repayment Programs

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[1] Borrower must be willing, but unable, to make scheduled loan payments.

[2] Borrower must request forbearance in writing and provide documentation of his/her circumstances. A written agreement between the lender and borrower is required.

[3] Forbearance is granted at the option of the lender based upon documented circumstances, and automatically becomes effective upon notification to borrower. No agreement is required. Interest continues to accrue.

[4] Regulations implementing these forbearance provisions become effective 07/01/95.

[5] Borrower must request forbearance in writing and document that he/she qualifies for the forbearance. Agreement of borrower not required.

[6] Documentation of military mobilization required.

continued on next page

FFEL PROGRAM FORBEARANCE [1] CRITERIA cont'd.

Mandatory Administrative Forbearance [1]

- Exceptional circumstances exist such as: local or national emergency or military mobilization [6] or geographical area designated a disaster area
  - Forbearance granted until lender notified by ED that forbearance no longer applies
- Variable interest rate on standard or graduated repayment schedule would result in loan not being repaid within maximum repayment period
  - Maximum forbearance 3 years
- Decreased installments under income-sensitive repayment schedule would result in loan not being repaid within maximum 10-year repayment period
  - Maximum forbearance 5 years

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[1] Borrower must be willing, but unable, to make scheduled loan payments.

[2] Borrower must request forbearance in writing and provide documentation of his/her circumstances. A written agreement between the lender and borrower is required.

[3] Forbearance is granted at the option of the lender based upon documented circumstances, and automatically becomes effective upon notification to borrower. No agreement is required. Interest continues to accrue.

[4] Regulations implementing these forbearance provisions become effective 07/01/95.

[5] Borrower must request forbearance in writing and document that he/she qualifies for the forbearance. Agreement of borrower not required.

[6] Documentation of military mobilization required.

Deferments

Deferment is a period during which the payment on the principal amount of the loan is postponed. During a deferment period interest accrues and:

1. Is paid by ED, if the loan is eligible for interest subsidy benefits; or

2. Is paid as it becomes due or is capitalized by the borrower, if the loan is not eligible for interest subsidy benefits.

DIRECT LOAN PROGRAM DEFERMENT PROVISIONS [1]

THIS CHART IS TO BE USED FOR REFERENCE ONLY. IF YOU HAVE ANY QUESTIONS REGARDING A PARTICULAR BORROWER'S ELIGIBILITY TO RECEIVE A DEFERMENT, REFER TO SECTION 685.204 OF THE DIRECT LOAN PROGRAM REGULATIONS.

Deferment Condition	Time Limit	Federal Direct Stafford [2]	Federal Direct Unsubsidized Stafford	Federal Direct PLUS	Federal Direct Consolidation [2]
At least half-time study [3, 4, 5]	None	Y	Y	Y	Y
Graduate fellowship study [3, 4, 5]	None	Y	Y	Y	Y
Rehabilitation training [3, 4, 5]	None	Y	Y	Y	Y
Economic hardship [6]	3 years	Y	Y	Y	Y
Inability to secure full-time employment [7]	3 years	Y	Y	Y	Y

Y: Deferment Applies

1 In addition to the Direct Loan deferment conditions summarized in this chart, other deferment provisions apply to a Direct Loan borrower who is also an "old borrower" of a FFEL Programs loan. (An "old borrower" is an individual who has an outstanding balance on a FFEL Programs loan that was made prior to 07/01/93.) In this situation, the same deferment opportunities that apply to the borrower's FFEL Programs loan also apply to the borrower's Direct Loan. These deferment provisions are outlined on the "FFEL Program Deferment Provisions" chart.

2 Interest does not accrue during a period of deferment on:

  a. A Direct Stafford Loan; or

  b. A Direct Consolidation Loan that consolidates Title IV loans eligible for interest subsidies.

3 In order to be eligible for an in-school deferment, the borrower must be attending an eligible institution. If the school does not participate in the Direct Loan Program, the borrower may still qualify for the deferment if the school meets the definition of eligible institution. The nonparticipating Direct Loan school must complete Parts 1 and 2 of the Application for Institutional Eligibility as well as a supplemental form in order for ED to determine if the school qualifies as an eligible institution for purposes of the in-school deferment.

4 Deferment approval for a new borrower enrolled in a graduate or postgraduate fellowship-supported program (e.g. a Fulbright Fellowship) will extend for the duration of the fellowship period.

5 A borrower serving in a medical internship or residency program is ineligible for a deferment.

6 A borrower is considered to have an economic hardship if the borrower:

  a. Is receiving payment under a federal or state public assistance program;

  b. Is working full-time but earning an amount that does not exceed (the greater of):

    1) The federal minimum wage, or

    2) An amount equal to 100% of the poverty line for a family of two as determined according to section 673(2) of the Community Service Block Grant Act . OR

  c. Is not receiving total monthly gross income that exceeds twice the amount of "b" above, and after deducting the amount of the borrower's monthly federal postsecondary loan payments, the remaining amount of the borrower's monthly income does not exceed "b" above.

  The amount of the borrower's "monthly federal postsecondary loan payments" in "c" above is the amount of payment that would have been owed if the loan had been scheduled to be repaid in 10 years from the date the borrower entered repayment regardless of the length of the borrower's actual repayment schedule or the actual monthly payment amount.

7 Borrower must be seeking, but unable to find, full-time employment.

FFEL Program Deferment Provisions

Deferment Condition*	Time Limit	(Subsidized & Unsubsidized) Federal Stafford and Federal SLS Programs			Federal PLUS Program (Parent borrowers only)				Federal Consolidation Loan Program	
		Refinanced and Prior Borrowers [1] of Loans Made or Disbursed Before 07/01/87	Loans Made or Disbursed On or After 07/01/87	New Borrowers [2]	Loans Made Prior to 08/15/83	Refinanced and Prior Borrowers of Loans Made or Disbursed Before 07/01/87	Loans Made or Disbursed On or After 07/01/87	New Borrowers [2]	Loans Consolidated Before 07/01/93	Loans Consolidated On or After 07/01/93 [3]
Full-time study [4]	None	Y	Y	Y	Y	Y	Y	Y	Y	Y
At least half-time study [4, 5]	None	N	Y	Y	N	N	Y	Y	Y	Y
Graduate fellowship study [4, 6]	None	Y	Y	Y	Y	Y	Y	Y	Y	Y
Rehabilitation training [4]	None	Y	Y	Y	Y	Y	Y	Y	Y	Y
U.S. Armed Forces [7] or Public Health Service, or;	3 years	Y	Y	N	Y	N	N	N	N	N
Nat'l Oceanic & Atmospheric Admin. (including Military and Public Health Service)		N	Y	N	N	N	N	N	N	N
Peace Corps	3 years	Y	Y	N	Y	N	N	N	N	N
ACTION	3 years	Y	Y	N	Y	N	N	N	N	N
Temporary total disability (borrower, spouse, or dependent)	3 years	Y	Y	N	Y	Y	Y	N	Y	N
Tax-exempt organization	3 years	Y	Y	N	Y	N	N	N	N	N
Teaching in teacher shortage area	3 years	N	Y	N	N	N	N	N	N	N
Eligible internship or residency program [8]	2 years	Y	Y	N	Y	N	N	N	N	N
Unemployment	2 years	Y	Y	N	Y	Y	Y	N	Y	N
Mother entering work force [9]	1 year	N	Y	N	N	N	N	N	N	N
Inability to secure full-time employment [10]	3 years	N	N	Y	N	N	N	Y	N	Y
Economic hardship [11]	3 years	N	N	Y	N	N	N	Y	N	Y
Parental leave [12]	6 months	Y	Y	N	N	N	N	N	N	N
Parent PLUS borrowers [13]	.....	N/A	N/A	N/A	Y	Y	Y	N	N/A	N/A

* Y: Deferment Applies N: Deferment Does Not Apply

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FFEL PROGRAM DEFERMENT PROVISIONS (cont'd.)

- **THIS CHART IS TO BE USED FOR REFERENCE ONLY. IF YOU HAVE ANY QUESTIONS REGARDING A PARTICULAR BORROWER'S ELIGIBILITY TO RECEIVE A DEFERMENT, REFER TO SECTION 682.210 OF THE FFEL PROGRAMS REGULATIONS.**

1 Includes student Federal PLUS borrowers of loans made prior to 11/01/83 pursuant to Section 439(o) of Pub. L. 89-329 and Federal Consolidation Loans.

2 A "new borrower" is one who has no outstanding balance on a Federal Stafford (formerly GSL), Federal SLS, Federal PLUS, Federally Insured Student Loan (FISL) or Federal Consolidation Loan on the date he or she signed the promissory note and who received a loan under one of these programs on or after July 1, 1993.

3 Applies to new borrowers. A "new borrower" for purposes of the Federal Consolidation Loan Program is a person who applied for a Federal Consolidation Loan made on or after 07/01/93 and has no other outstanding FFEL Program loan that the borrower is **not** going to consolidate.

4 To be eligible for an in-school deferment, the borrower must be attending an eligible institution. If the school does not participate in FFEL Programs, the borrower may still qualify for the deferment if the school meets the definition of an eligible institution. A school that does not participate in the FFEL Program must complete Parts 1 and 2 of the Application for Institutional Eligibility as well as a supplemental form in order for ED to determine if the school qualifies as an eligible institution for purposes of the in-school deferment.

5 A Federal Stafford (formerly GSL), Federal SLS borrower, or a Federal PLUS parent borrower, whose first loan was made or disbursed between 07/01/87 and 06/30/93, is eligible for deferment while engaged in at least half-time study at a participating school if the borrower obtains a Federal Stafford (formerly GSL) or Federal SLS Loan for that period of enrollment. Note that unlike the deferment described in the preceding footnote, the borrower must be attending a participating school to get the benefit of the deferment. New borrowers under these loan programs who receive a first disbursement on or after 07/01/93 are not required to borrow another loan to qualify for the deferment.

6 Deferment approval for a new borrower enrolled in a graduate or postgraduate, fellowship-supported program (e.g. a Fulbright Fellowship) will extend for the duration of the fellowship period.

7 Public Law 102-26 authorized, for the period of April 9, 1991 to September 30, 1997, special deferment and grace period provisions for certain individuals on active duty military service in connection with Operation Desert Shield and Operation Desert Storm. These benefits include:

   a. A military deferment for the duration of service in connection with Operation Desert Shield or Operation Desert Storm, even if the length of the deferment exceeds the maximum deferment authorized in sections 428(b)(1)(M)(ii) or 427(a)(2)(C)(ii);

   b. A 6-month post-deferment grace period following an Operation Desert Shield or Operation Desert Storm military deferment; and

   c. A one-time 6-month post-deferment grace period following the period of in-school deferment for a borrower who received a military deferment and later becomes eligible for an in-school deferment.

8 Periods of service in an eligible internship program (See 34 CFR Section 682.210(n)); or serving in an internship or residency program leading to a degree or certificate awarded by an institution of higher education, a hospital, or a health care facility that offers postgraduate training. Lenders are now required to grant forbearance in 12-month increments to medical or dental interns and residents who have expended their 2-year residency deferments until they have completed their intern and residency requirements.

9 A mother with preschool-age children, who is entering or re-entering the work force, and is being paid no more than $1 above minimum wage.

10 Borrower must be seeking, but unable to find, full-time employment.

11 Regulations implementing economic hardship deferment become effective 07/01/95. A borrower is considered to have an economic hardship if the borrower:

a. Is receiving payment under a federal or state public assistance program;

b. Is working full-time but earning an amount that does not exceed (the greater of):

1) The federal minimum wage, or

2) An amount equal to 100% of the poverty line for a family of two as determined according to section 673(2) of the Community Service Block Grant Act . OR

c. Is not receiving total monthly gross income that exceeds twice the amount of "b" above, and after deducting the amount of the borrower's monthly federal postsecondary loan payments, the remaining amount of the borrower's monthly income does not exceed "b" above.

The amount of the borrower's "monthly federal postsecondary loan payments" in "c" above is the amount of payment that would have been owed if the loan had been scheduled to be repaid in 10 years from the date the borrower entered repayment regardless of the length of the borrower's actual repayment schedule or the actual monthly payment amount.

12 Period for which the borrower is pregnant, caring for his or her newborn child, or caring for his or her adopted child immediately following adoption. The borrower may neither be attending school nor be gainfully employed, and must have been enrolled on at least a half-time basis at a participating school at some time during the 6 months preceding the period of parental leave. A new-born child is one who is six months or younger.

13 Parent borrowers of Federal PLUS loans first made and disbursed prior to July 1, 1993 are also eligible for deferment during periods when a student for whom the parent borrowed a Federal PLUS Loan is dependent and meets one of the following conditions for deferral: in-school status (full- and half-time), graduate fellowship, or rehabilitation training. (Please note: If the son or daughter is a half-time student, he/she must have first borrowed a Federal Stafford Loan after 07/01/87, but before 07/01/93, and be receiving a Federal Stafford (formerly GSL), or Federal SLS Loan for the period of enrollment for which the deferment is sought.)

Loan Cancellation

Under certain conditions a Direct Loan or FFEL Program loan may be cancelled. These conditions are summarized in the chart on the following page.

DIRECT LOAN PROGRAM/FFEL PROGRAM
LOAN CANCELLATION AND PAYMENT BY ED

Loan Cancellation

Eligibility Criteria	Comments
✦ Borrower dies [1]	
✦ Student on whose behalf a parent borrowed a Direct PLUS or Federal PLUS Loan dies, or parent dies [1]	For cancellation of a Federal PLUS due to the dependent student's death, the student's death must have occurred on or after 07/23/92.
✦ Borrower becomes totally and permanently disabled [1]	Borrower not considered totally and permanently disabled if condition existed at time loan was applied for, unless that condition substantially deteriorated after the loan was made.
✦ Borrower or student on whose behalf a parent borrowed is unable to complete program of study due to closing of school	Cancellation also applies if student withdrew within 90 days (or longer in exceptional circumstances) of date of school's closure. Cancellation does not apply if student able to complete his/her program: • through a teach-out arrangement at another school; or • by transferring credits earned at closed school to another eligible institution.
✦ School falsely certified borrower's or student's (on whose behalf a parent borrowed) eligibility	Loan eligibility considered falsely certified if school: • admitted student under ability to benefit even though student did not meet ability-to-benefit requirements and student could not find employment in the occupation for which training was provided; • signed borrower's name on loan application or promissory note without borrower's authorization; • endorsed borrower's loan check or EFT authorization and borrower did not receive or benefit from the loan proceeds; or • certified the eligibility of a student who did not have the ability to benefit from the training at the time of enrollment, because of a physical or mental condition, age, criminal record, or other reasons accepted by ED, and would not meet the requirements for employment (in the student's state of residence when the loan was certified) in the occupation for which the training program supported by the loan was intended.

Payment by ED or Guaranty Agency

Eligibility Criteria	Comments
✦ Borrower's obligation to repay the loan is stayed by a bankruptcy court [1]	If loan is not ultimately discharged in bankruptcy, it again becomes the borrower's obligation.

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[1] If Direct Consolidation/Federal Consolidation Loan obtained by co-makers, both makers of the loan must meet a cancellation provision. If Direct PLUS/Federal PLUS Loan obtained with an endorser, the borrower and the endorser must meet a cancellation provision. If a Federal PLUS Loan obtained by co-makers, bother parents must meet a cancellation provision.

REQUIREMENTS SPECIFIC TO THE DIRECT LOAN PROGRAM

Participation Requirements and Selection Criteria For Year 3 and Subsequent Years

A school may participate in the Direct Loan Program as an individual school or in a consortium with other eligible schools. Any school that wishes to participate in the Direct Loan Program for the first time during the 1996-97 award year or a subsequent award year must meet the requirements and selection criteria that are specified in the December 1, 1994 final Direct Loan Program regulations.

All selected schools must participate electronically in the Direct Loan Program.

DIRECT LOAN PROGRAM
PARTICIPATION REQUIREMENTS AND SELECTION CRITERIA
1996-1997 AND BEYOND

Participation Requirements

- Meet FFEL eligibility requirements (although current participation in FFEL Programs is not required)
  - This includes having a FFEL Programs cohort default rate of less than 25% for at least 1 of the 3 most recent fiscal years (unless exempt from this requirement under Section 435(a)(3)(C) of the HEA) [1]
- Is not subject to a Title IV emergency action, or to a proposed or final limitation, suspension, or termination action [2]
- Sign a Direct Loan Program Participation Agreement with ED

Selection Criteria

Selected schools must be:

- Reasonably representative of schools participating in the FFEL Programs in terms of:
  - Highest degree offered
  - Length of academic program
  - Institutional control (public, private, proprietary)
  - Anticipated loan volume
  - Size of student enrollment
  - Geographic location
  - Annual loan volume
  - Default experience
- Able to make a smooth transition to the Direct Loan Program

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[1] After a school is selected to participate ED will continue to use FFEL default rate information to determine the school's continued eligibility to participate in the Direct Loan Program. The school must have a cohort default rate of less than 25% for at least 1 of the 3 most recent fiscal years for which data are available and that are prior to the school's participation in the Direct Loan Program.

[2] This criterion only applies to a school's selection for participation. Any such action against a participating school does not automatically make the school ineligible to participate in the Direct Loan Program.

If selected, the school must enter into a Direct Loan Program Participation Agreement with ED. The school may participate under standard origination in which an alternate originator manages both the school's Direct Loan promissory note and funds management processes.

However, if a school meets Direct Loan Program origination criteria, the school also may be an originating school. Beginning with Year 3, any school that originates loans must enter into a supplemental agreement for originating Direct Loans under one of the following statuses:

1. School Origination Option 1; or

2. School Origination Option 2.

The requirements for originating Direct Loans and the different origination statuses are summarized in the following chart.

DIRECT LOAN PROGRAM
ORIGINATION REQUIREMENTS AND TYPES OF ORIGINATION
For 1996-97 and Subsequent Years

Standard Origination

- All schools eligible to participate in the Direct Loan Program may participate under Standard Origination
- ED servicer:
  - Prepares promissory notes
  - Obtains completed and signed promissory notes from borrowers and transmits them to the ED servicer
  - Initiates the drawdown of Direct Loan funds to school for payment to borrowers
- School:
  - Creates loan origination records and transmits them to the ED servicer
  - Receives loan funds electronically
  - Disburses loan funds
  - Creates disbursement rosters and transmits them to the ED servicer
  - Reconciles its Direct Loan account at least monthly
  - Receives no administrative fee

School Origination Requirements

Requirements to participate under School Origination Option 1 or School Origination Option 2

(Criteria apply to each school originating in the Direct Loan Program by itself or in a consortium with other originating schools.)

- For eligibility to originate loans, the school:
  - Participated for at least 3 years in the Federal Perkins Loan Program, Federal Pell Grant Program, or if a graduate/professional school, a similar program
  - Is not on the reimbursement payment system for the Federal Pell Grant Program
  - Has had no severe performance deficiencies for any of the Title IV programs, including deficiencies demonstrated by the most recent audit or program review
  - Is financially responsible as defined by Section 668.15 of Student Assistance General Provisions
  - Is current on any program or financial reports or audits, including cash transaction reports, and does not maintain excess cash in its Title IV accounts
  - Does not have any material findings in any annual audit for the 3 years preceding the application to participate in the Direct Loan Program
  - Does not have any delinquent outstanding federal debts unless it is repaying them in accordance with a satisfactory repayment arrangement, or the debt has not been fully acknowledged by the relevant federal agency (e.g., the debt is in litigation)

continued on next page

DIRECT LOAN PROGRAM
ORIGINATION REQUIREMENTS AND TYPES OF ORIGINATION cont'd.
For 1996-97 and Subsequent Years

School Origination Options

School Origination Option 1

- ED servicer:
  - Initiates the drawdown of Direct Loan funds to school for payment to borrowers
- School:
  - Creates loan origination records and transmits them to the ED servicer
  - Prepares promissory notes
  - Obtains completed and signed promissory notes from borrowers and transmits them to the ED servicer
  - Receives loan funds electronically
  - Disburses loan funds
  - Creates disbursement rosters and transmits them to the ED servicer
  - Reconciles its Direct Loan account at least monthly
  - Receives administrative fee based on origination functions performed

School Origination Option 2

- School:
  - Creates loan origination records and transmits them to the ED servicer
  - Prepares promissory notes
  - Obtains completed and signed promissory notes from borrowers and transmits them to the ED servicer
  - Initiates the drawdown of Direct Loan funds to school for payment to borrowers
  - Determines funding needs
  - Receives loan funds electronically
  - Disburses loan funds
  - Creates disbursement rosters and transmits them to the ED servicer
  - Reconciles its Direct Loan account at least monthly
  - Receives administrative fee based on origination functions performed

On its application to participate in the Direct Loan Program, the school must indicate the type of origination status under which it wishes to participate. The school's request will be approved if the school is determined to be fully capable of participating at that origination level.

The school's origination status may change based on either:

1. The school's request; or
2. ED's determination that the school is not capable of originating loans at the school's current status.

ED will consider a school's request for a change in origination status that:

1. Reduces its responsibilities for originating loans at any time; or
2. That increases its responsibilities only on an annual basis.

Processing Direct PLUS Loans

When the school receives a Direct PLUS Loan application and promissory note, the school must create an origination record, which initially need only include the student's name and Social Security number.

If the school is participating under standard origination or School Origination Option 1, the completed Direct PLUS Loan application and promissory note must be sent to the ED servicer along with the origination record.

If the school is participating under School Origination Option 2, the school may retain the hard copy of the promissory note until just after the first disbursement. However, if the school does this, it must transmit Direct PLUS applicant data at the same time it transmits the loan origination record.

The borrower of a Direct PLUS Loan may not have an adverse credit history. The ED servicer will conduct the required credit check upon receipt of:

1. The loan origination record; and
2. The Direct PLUS Loan application and promissory note; or
3. Direct PLUS Loan applicant data.

The criteria for determining whether an applicant has an adverse credit history are the same for Direct PLUS Loans and Federal PLUS Loans.

The servicer will inform both the applicant and the school of the results of the credit check. If the parent is ineligible for the Direct PLUS Loan because of an adverse history, the servicer's notification will include:

1. The reason for the loan's rejection;
2. The name of the credit bureau used in performing the credit check;
3. An endorser form if the parent chooses to reapply for the loan with an eligible endorser; and
4. A statement that the parent may contact the servicer if the parent feels that extenuating circumstances exist.

If the parent reapplies for the Direct PLUS Loan with an endorser, the revised loan application and promissory note is submitted directly to the servicer, who will notify the school of the results of any reapplication for the loan with an eligible endorser.

If the loan is approved, the servicer sends the parent (and endorser, if applicable) a Direct PLUS Loan disclosure form.

If the parent does not qualify for the loan (regardless of whether the parent applied with or without an endorser), the dependent student may apply for the "additional amount" of a Direct Unsubsidized Stafford Loan. However, the school must cancel the Direct PLUS Loan application before processing the student's promissory note for the "additional amount" of an unsubsidized loan.

Method of Disbursement

Depending upon the school's origination status, different requirements and procedures apply for disbursing Direct Loans.

If the school participates under standard origination or School Origination Option 1, the servicer:

1. Determines the amount of Direct Loan funds needed for disbursements;
2. Requests the needed funds through the Department of Education's Payment Management System (EDPMS); and
3. Sends the school electronic disbursement rosters which list for each borrower:
    a. The type of loan;
    b. The loan's anticipated disbursement date; and
    c. The amount to be disbursed.

If the school participates under School Origination Option 2, the school is responsible for:

1. Requesting the loan funds through the EDPMS service bureau;
2. Drawing down the loan funds;

3. Reporting to ED individual net disbursement information; and

4. Reconciling the school's Direct Loan account.

The Direct Loan software has been designed to assist schools in meeting these requirements.

Federal Direct Loan funds that an Option 2 origination school receives are not student-specific, and may be used for any eligible student. However, the school must return to ED any loan funds it does not disburse within the timeframes described in Session 2 for disbursing Title IV funds.

Direct Loan funds that a standard origination or an Option 1 origination school receives are student-specific. The school must return to the servicer any Direct Loan funds that it was unable to disburse because:

1. The loan was cancelled; or

2. The amount of the borrower's loan eligibility was reduced.

The school must inform the ED servicer of the date and the amount of each loan disbursement by completing:

1. A disbursement record if the school is an Option 2 origination school; or

2. A disbursement roster if the school is a standard origination or Option 1 origination school.

A school's disbursement record or roster will be rejected if the amount disbursed or other borrower information reported by the school does not agree with the information on the ED servicer's borrower record.

1. If the rejection is due to misreported information, the school must correct and resubmit the rejected record or roster.

2. If the school cannot correct the cause for the rejection, the school must return improperly disbursed Direct Loan funds.

At least monthly, a school also must reconcile with the ED servicer the school's Direct Loan account, including:

1. All Direct Loan cash transactions; and

2. Each borrower loan record.

Direct Consolidation Loans

The types of loans that may be consolidated under the Direct Loan Program are the same as may be consolidated under the FFEL Program. However, there are three types of Direct Consolidation Loans for which a borrower may apply by completing only one application:

1. A Direct Subsidized Consolidation Loan, which consolidates Title IV loans that are eligible for interest subsidies;

2. A Direct PLUS Consolidation Loan, which consolidates Direct PLUS and/or Federal PLUS Loans; and

3. A Direct Unsubsidized Consolidation Loan, which consolidates Title IV Loans and other Federal educational loans that are not eligible for interest subsidies.

A FFEL Program borrower may apply for a Direct Consolidation Loan, if the borrower is unable to obtain:

1. A Federal Consolidation Loan; or

2. A Federal Consolidation Loan with income-sensitive terms that are acceptable to the borrower.

a. The borrower must be eligible for the income contingent repayment plan under the Direct Loan Program.

A borrower may apply for a Direct Consolidation Loan while in an in-school status if the borrower has:

1. Both Direct Loan Program and FFEL Program loans; or

2. FFEL Program loans only, but is attending a Direct Loan school at the time of application.

If the consolidation loan for a student in an in-school status is approved, the borrower will be eligible for a six-month grace period prior to beginning repayment of the loan.

A Direct PLUS Consolidation Loan borrower may not have an adverse credit history; however, an applicant with an adverse credit history may qualify for the loan if:

1. The borrower obtains an endorser who does not have an adverse credit history; or

2. ED determines that extenuating circumstances exist.

A borrower may repay a Direct Consolidation Loan under any of the Direct Loan repayment plans except that:

1. A borrower of a Direct PLUS Consolidation Loan may not repay the loan under the income contingent plan; and

2. A borrower who consolidated his or her defaulted loan(s) prior to making full satisfactory repayment arrangements (i.e., three monthly payments) must repay the loan under the income contingent plan unless ED approves the borrower's request to change repayment plans after the borrower has made at least

three consecutive, full, on-time monthly consolidation repayments.

A married couple that has jointly obtained a Direct Consolidation Loan is not eligible for forbearance or deferment of the loan unless each borrower meets a criterion for the loan's forbearance or deferment. This limitation also applies to the loan's cancellation if:

1. The borrower dies or becomes totally and permanently disabled;

2. The student on whose behalf a parent borrowed a Direct PLUS of Federal PLUS loan dies, or the parent dies; or

3. The borrower's obligation to repay the loan is stayed by a bankruptcy court.

However, ED will cancel a portion of the consolidation loan if only one of the borrowers meets the criteria for:

1. A false certification discharge; or

2. A closed school discharge.

FFEL PROGRAM DISBURSEMENT REQUIREMENTS

Methods of Disbursement

The lender is responsible for disbursing all FFEL Program loans according to the disbursement schedules established by schools.

Except for students enrolled in approved study abroad programs or attending eligible foreign schools, all FFEL Program loan proceeds are sent to the school in the form of either:

1. An electronic funds transfer (EFT);

2. A master check that contains the loan proceeds for more than one borrower; or

3. A loan check made:

   a. Payable to the student borrower only;

   b. Copayable to the student borrower and the school; or

   c. Copayable to the parent borrower and the school.

At the time of the first disbursement of a FFEL Program loan, the lender must provide the borrower with a copy of:

1. The completed promissory note; and

2. The Notice of Guaranty and Disclosure Statement, which includes:

   a. A clear and prominent statement that the borrower is receiving a loan which must be repaid;

   b. Thorough and accurate information regarding the specific loan's terms and conditions; and

   c. The lender's name and the address to which the borrower should send communications and loan payments.

Disbursements for Students Attending Study Abroad Programs or Eligible Foreign Schools

A student enrolled in an approved study abroad program may request that the FFEL Program loan proceeds be disbursed:

1. Directly to him or her:

        a. In the form of a check; or

        b. By means of an electronic funds transfer (EFT); or

    2. To the institution if the borrower has given power of attorney to another individual.

The individual given the power of attorney:

1. May not be anyone who is not affiliated with the student's home school; and
2. May request that the FFEL proceeds be disbursed either through an EFT or by check.
    a. If an EFT is to be used, a separate EFT authorization statement must be obtained from the person given the power of attorney since the common loan application does not permit the use of a power of attorney.

A loan for a student attending an eligible foreign school as a regular student of that foreign school also may be disbursed in the form of a singly disbursed check or EFT transaction to the student.

Late Disbursement Requirements

When the school receives a FFEL borrower's loan proceeds after the end of the loan period or after the student ceases at least half-time enrollment, the borrower may be eligible for a late disbursement.

Unless the guaranty agency prohibits late disbursements, the late disbursement must be made within 60 days of the earlier of:

1. The date the student ceased to be enrolled at least half-time, or

2. The end of the enrollment period for which the loan was intended.

Effective July 1, 1995, an additional 30 days is permitted for a late disbursement under exceptional circumstances if:

1. The borrower's exceptional circumstances are documented; and

2. The guaranty agency approves the additional time for making the late disbursement.

The school is responsible for determining whether the student qualifies for the late disbursement; however, the following restrictions apply:

1. A late first disbursement may not be made to a first-time, first-year undergraduate student borrower who withdrew during the first 30 days of his or her program of study.

2. A late disbursement may not be delivered to a borrower whose application was certified after the borrower ceased attendance on at least a half-time basis.

3. A late disbursement may not be made if the student was not enrolled at least half-time during the period covered by the loan installment.

4. The amount of the late disbursement may not exceed the amount of the student's documented direct or indirect educational costs. Those costs must have been included in the student's cost of attendance for the period covered by the loan installment.

If the late disbursement cannot be made, the loan proceeds must be:

1. Returned within 30 days; and

2. Used to reduce the borrower's outstanding loan balance.

If the entire amount of the disbursement is returned within 120 days of the school's receipt of the loan proceeds, any insurance premium and/or origination fee withheld from the disbursement must be returned to the borrower's account.

RETURNING LOAN FUNDS TO THE LENDER

The chart on the following page lists situations in which a school may not be able to make payment of the loan because:

1. The student has become ineligible for the loan; or
2. The student's loan eligibility is pending.

If the student is unable to establish eligibility for the loan, the loan proceeds must be returned to the FFEL Program lender.

HANDLING UNDELIVERED LOAN PROCEEDS

Federal Stafford and Federal Unsubsidized Stafford

Situation	Release to Student	Return FFEL Programs loans to Lender *
Enrolled student fails to respond to request for endorsement of loan check	After endorsement, and subject to FFEL delivery requirements	Within 45 days of receipt
Student fails to undergo initial loan counseling	After counseling, and subject to FFEL delivery requirements	Within 45 days of receipt
Student selected for verification	When verification is completed, subject to FFEL delivery requirements	Within 45 days of receipt, if verification is not completed
Missing financial aid transcript(s) for student	When last required financial aid transcript is received, subject to FFEL delivery requirements	Within 45 days of its receipt if all required financial aid transcript(s) are not received
Student fails to register	N/A - Loan funds must be returned within 30 days of determining student is not enrolled	
Registered student withdraws or is expelled prior to first day of classes, or fails to attend	N/A - Loan funds must be returned within 30 days from the school's determination that the student is not in attendance	
Student fails to maintain at least half-time enrollment	N/A - Loan funds must be returned within 30 days of receipt of loan installment	
Student loses loan eligibility		
Student is overawarded	N/A- Entire loan installment returned within 30 days, or the portion of the installment representing the overaward returned within 60 days	

* Schools must indicate in writing reason(s) for returning loan funds.

SESSION #6

Refund and Repayment

Session Objectives

- Trainees will be able to:

  1. Determine when the refund and repayment regulations apply;
  2. Describe the requirement for a fair and equitable refund policy;
  3. Properly calculate refunds and repayments; and
  4. Allocate refunds and repayments.

Sources for Further Study

- Federal Register, November 29, 1994 (new Title IV refund and repayment requirements effective with the 1995-96 award year)
- Federal Register, April 29, 1994 (interim final regulations amending Title IV refund and repayment requirements)

NOTE: These training materials are intended to cover the 1995-96 Title IV Delivery System and related information. *However, the refund requirements discussed in this session are in effect now, for the 1994-95 award year.* These *current* requirements are based on the interim final regulations published April 29, 1994, and are effective for all withdrawals that occur during the 1994-95 award year (July 1, 1994 through June 30, 1995).

Beginning July 1, 1995, for the 1995-96 award year, the refund requirements will change. The *new* refund requirements will be based on the final regulations published November 29, 1994 (as these materials went to print). Those new requirements are *not* detailed here, but are summarized at the end of the session on Page TG 6-56. Throughout this session, information that will change for the 1995-96 award year (as a result of the November 29 regulations) is indicated by the following icon, placed in the margin:

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The 1995-96 *Federal Student Financial Aid Handbook,* which will be distributed in June 1995, will include revised refund materials, new worksheets, and new case studies.

INTRODUCTION

A school that participates in any of the Title IV programs must:

1. Have a fair and equitable refund policy;
2. Apply that refund policy to any student:
   a. Who does not complete the enrollment period for which he or she has been charged; and
   b. Who received Title IV assistance (including a PLUS Loan); and
3. Allocate any refund first to the Title IV programs.

DEFINITIONS OF REFUND AND REPAYMENT

"Refund" refers to money paid toward school charges that must be returned to financial aid sources and/or to the student.

A "repayment" is the amount of cash disbursed to the student which must be repaid to the Title IV programs. A cash disbursement is paid to the student for noninstitutional costs (educational costs not payable directly to the school).

A repayment is required if the student received more in a cash disbursement than was needed to cover non-institutional expenses reasonably incurred before the student ceased attendance.

REQUIREMENT FOR A FAIR AND EQUITABLE REFUND POLICY

A school's refund policy is fair and equitable if it provides a refund which is the larger of:

1. The refund required by state law;
2. The refund required by the school's nationally recognized accrediting agency and approved by ED; or
3. The statutory pro rata refund, if applicable.

The statutory pro rata refund applies to any student who:

1. Is attending the school for the first time; and
2. Leaves the school on or before the 60 percent point in the enrollment period for which he or she has been charged.

A student is "attending the school for the first time" if he or she:

1. Has not previously attended at least one class at the school; or
2. Received a refund of 100 percent of any charges for tuition and fees (less any allowable administrative fee), for previous attendance at the school.

A student remains a "first-time student" until he or she:

1. Withdraws, drops out, takes a leave of absence, or is expelled after attending at least one class; or

2. Completes the enrollment period.

If there are no state or accrediting agency refund requirements and statutory pro rata does not apply, the school must:

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1. Compare its institutional refund policy (if it has such a policy) to the Appendix A requirements (in the Student Assistance General Provisions); and

2. Make the larger refund of the two.

A school must calculate all applicable refunds for each student.

STUDENT ASSISTANCE GENERAL PROVISIONS
APPENDIX A – REFUND STANDARDS

General Refund Standards

The school's governing board must review and approve the schedule of all institutional charges and refund policies applicable to students.

The school must:

- Seek consumer views in establishing and revising institutional charges and refund structures.
- Publish and make readily available to all current and prospective students a current schedule of all student charges that:
    - Includes a statement of the purpose for each of the charges and related refund policies;
    - Includes specific information regarding its appeals process for exceptions to the school's refund policy;
    - Includes the costs of required supplies and equipment;
    - Clearly designates optional charges; and
    - Clearly identifies nonrefundable charges and deposits.
- Substantiate its costs for providing supplies and equipment.
- Refund:
    - Room charges, less a deposit, if the school receives written notification of the cancellation by the school's publicized deadline
        - date of deadline must provide reasonable opportunity to make the space available to other students
    - Board charges in full, less a deposit, if the school receives written notification of the cancellation by the school's publicized deadline
        - date of deadline must be on or before the beginning of the period covered by the board contract
- Advise students of the specific procedures for withdrawing and requesting a refund.
- Pay or credit refunds due in accordance with regulatory requirements.

The school may not charge any penalties if the school, and not the student, is in error.

Institutional Refund Policy Requirements

(applicable only to the enrollment period for which the student was charged)

The school must refund:

- 100% of tuition charges[1] if the student withdraws on or before one week preceding the first day of classes
- At least 90% of tuition charges[1] if the student withdraws within 10% (in time) of the enrollment period
- At least 50% of tuition charges[1] if the student withdraws between the first 10% (in time) and 25% (in time) of the enrollment period
- At least 25% of tuition charges[1] if the student withdraws between the end of the first 25% (in time) and the end of the first 50% (in time) of the enrollment period

The school may exclude from refund:

- Documented costs of unreturnable equipment or returnable equipment not returned in good condition within 20 days of the student's withdrawal. [1,2]

[1] Includes equipment, books and supplies issued to the student by the school if the student's enrollment agreement specifically identifies these as separate charges, or the school refers the student to a vendor operated by the school, or an entity affiliated with or controlled by the school.

[2] The school must notify the student in writing prior to enrollment that the equipment must be returned within 20 days of the student's withdrawal.

REQUIREMENTS PRIOR TO THE CALCULATION OF REFUNDS AND REPAYMENTS

Unpaid Institutional Charges

All refund calculations must take into account any institutional charges that are unpaid at the time the student withdraws. Unpaid charges are determined as follows:

Total institutional charges for period of enrollment
– Financial aid paid for institutional charges
= Scheduled cash payment
– Cash paid by student
= Unpaid charges

A late disbursement of Title IV funds must be counted as if it had already been paid to institutional charges, if the student is still eligible for it (under applicable program rules) in spite of having withdrawn.

Late disbursements of state aid also may be counted, if the student is eligible for the state aid even though he or she has withdrawn. For state aid to be counted, the state must have a written late disbursement policy. The state aid must be disbursed within 60 days of the student's withdrawal date. Otherwise, the school must recalculate the student's refund and repayment.

Credit Balances

Prior to calculating unpaid charges, refunds, or a repayment owed, a school must eliminate any credit balance on the student's account.

Except for Federal Work-Study funds, a school must determine whether the Title IV funds that are part of the credit balance should be given to the student or returned to the programs. Title IV funds that cannot be used to pay for educational expenses incurred by the student prior to the time he or she became ineligible must be returned to the programs.

1. FFEL funds would be returned to the lender;

2. Federal Pell Grant and Direct Loan funds would be returned to ED; and

3. Federal SEOG and Federal Perkins Loan funds would be returned to the appropriate accounts at the school.

In determining the amount of educational expenses incurred by the student before he or she became ineligible, the school may include documented non-institutional costs that the student incurred.

ED SAMPLE WORKSHEETS

To help schools comply with the new requirements, ED has developed:

1. The Withdrawal Record;

2. The Refund Calculation Worksheet (for non-pro rata refund calculations);

3. The Pro Rata Refund Calculation Worksheet; and

4. The Repayment Calculation Worksheet;

Use of these worksheets is voluntary.

THE WITHDRAWAL RECORD

The Withdrawal Record collects and organizes all of the information needed to calculate refunds and repayments.

WITHDRAWAL RECORD

1. Student Information

Name ____ Start Date ____ Withdrawal Date/LDA ____

Social Security Number ____ Length of Enrollment Period ____ Date of WD/LDA Determination ____

2. Program Costs

inst.	non-inst.		inst.	non-inst.	
		Tuition/Fees ____			Personal/Living ____
		Administrative Fee ____			Dependent Care ____
		Room & Board ____			Disability Costs ____
		Books & Supplies ____			Miscellaneous ____
		Transportation ____			Miscellaneous ____

3. Payments/Disbursements

(Exclude work-study awards.)

DATE	SOURCE	Paid to Inst. Costs	Cash to Student	DATE	SOURCE	Paid to Inst. Costs	Cash to Student

USE TOTALS FOR PERIOD CHARGED*

TOTAL Inst. Costs: ☐ A

TOTAL Noninst. Costs: ☐ B

TOTAL Aid Paid To Inst. Costs: ☐ C

TOTAL Paid To Inst. Costs: ☐ D

TOTAL Aid Paid as Cash: ☐ E

***USE TOTALS AS CHARGED FOR THE ENROLLMENT PERIOD** (For term credit-hour programs, use totals for the term; for all clock-hour programs and for nonterm credit-hour programs, use totals for the program length or for the academic year. If you charge by different periods for different charges, convert all totals to represent the longest period.)

4. Statutory Pro Rata Information

IS THIS STUDENT A FIRST-TIME STUDENT? A first-time student is one who has not previously attended at least one class at this school, or has received a 100 percent refund (less any permitted administrative fee) for previous attendance. (A first-time student remains so until he or she withdraws after attending at least one class at the school or completes the period of enrollment.) ☐ YES ☐ NO

DID THIS STUDENT WITHDRAW ON OR BEFORE THE 60% POINT? For credit-hour programs, the 60% point is the point in calendar time when 60% of the enrollment period has elapsed. For clock-hour programs, it is the point when this particular student completes 60% of the hours scheduled for the enrollment period. ☐ YES ☐ NO

IF THE ANSWER TO BOTH QUESTIONS IS "YES," a statutory pro rata refund calculation is required for this student. For this calculation, you must determine the Portion That Remains (of the enrollment period) and the institutional costs that may be excluded, if any.

THE RESULTING PERCENTAGE MUST BE ROUNDED DOWN TO THE NEAREST 10%

TO DETERMINE THE PORTION THAT REMAINS

- For credit-hour programs:

$$\frac{\text{WEEKS REMAINING}}{\text{TOTAL WEEKS IN PERIOD}} = \dots\dots$$

- For clock-hour programs:*

$$\frac{\text{HOURS REMAINING}}{\text{TOTAL HOURS IN PERIOD}} = \dots\dots$$

- For correspondence programs:

$$\frac{\text{LESSONS NOT SUBMITTED}}{\text{TOTAL LESSONS IN PERIOD}} = \dots\dots$$

*DO NOT use scheduled hours. Also, excused absences count as "hours completed."

TO DETERMINE EXCLUDABLE INSTITUTIONAL COSTS:

- Administrative Fee (up to $100 or 5%, whichever is less; must be an across-the-board actual charge, publicized up-front) .... + ...
- Documented Cost of Unreturnable Equipment .... + ...
- Documented Cost of Returnable Equipment (if not returned in good condition within 20 days of withdrawal) + ...

TOTAL EXCLUDABLE INST. COSTS (for pro rata only): =

.... A − .... = Pro Rata Institutional Costs: ☐ A1

Total Institutional Costs — Total Excludable Inst. Costs

1. Student Information

Withdrawal Date or Last Day of Attendance (LDA)

The school must establish the student's withdrawal date, or last day of attendance (LDA) within the time frame indicated in the chart on the next page.

A student granted a leave of absence is considered to have withdrawn from the school.

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REQUIREMENTS FOR DETERMINING WITHDRAWAL DATE OR LAST DAY OF ATTENDANCE (LDA)

Student's Action	Withdrawal Date/LDA [1]
Withdraws (official withdrawal)	The later of: • Date student notifies school of his/her withdrawal; or • Date specified by student
Drops out (unofficial withdrawal)	Last date of student's recorded attendance
Granted leave of absence	Last date of student's recorded attendance
Expelled	Date of expulsion
Enrolled in a correspondence program	Date of the last lesson submitted by student if the student failed to submit the subsequent lesson according to the school's schedule [2]

[1] Withdrawal date/LDA must be determined within 30 days after the expiration of the earlier of:
- the period of enrollment for which the student has been charged,
- the academic year in which the student withdrew; or
- the end of the student's academic program.

[2] The student may be restored to an "in school status" if the student attests to the school in writing, within 60 days of the last lesson submitted:
- a desire to continue in the program, and
- an understanding that required lessons must be submitted on time.

Only one restoration of "in-school status" may be submitted on this basis.

Length of Enrollment Period

The "length of enrollment period" is the period of enrollment for which the student has been charged.

The actual enrollment period for which the student was charged must be used in refund and repayment calculations. However, to prevent a school from establishing very short periods of enrollment, the minimum period must be:

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1. For term-based, credit-hour programs, the academic term; or
2. For clock-hour or nonterm credit-hour programs, the lesser of:
    a. The student's program of study; or
    b. The academic year.

If the school charges by different periods of enrollment for different charges, the minimum period is the longest period for which the student has been charged.

Example: A school charges its students tuition by the academic year, but charges for required books and supplies by the academic term only. Since the longest period for which a student is charged is the academic year, the period of enrollment, for refund and repayment purposes, is the academic year.

2. Program Costs

All of the student's educational costs for the enrollment period are listed, and designated as either institutional or noninstitutional. Institutional charges are used in the refund calculation, and noninstitutional costs are used in the repayment calculation.

Institutional charges include only those charges for which the school directly charges the student.

Room charges that are merely passed through the school from an individual or an organization that is not under the control of, related to, or affiliated with the school, are considered a noninstitutional cost.

Costs for books, supplies, and equipment are considered as institutional charges if:

1. They are specifically identified as separate charges in the student's enrollment agreement; or
2. The student must purchase the books, supplies, or equipment from:
    a. A vendor operated by the school; or
    b. An individual or an organization affiliated with or related to the school.

Group health insurance is not included in refund calculation if:

1. All students must purchase the insurance; and
2. The purchased coverage remains in effect for the entire period of enrollment in spite of the student's withdrawal.

3. Payments and Disbursements

The information reported includes:

1. The amount paid for institutional charges (including aid received and cash paid by the student); and
2. The amount of aid disbursed to the student for living expenses.

Federal Work-Study (FWS) wages are never included in either the refund or the repayment calculation. Only loan amounts **received** (excluding origination fees and insurance premiums) are recorded.

Direct Loans and FFEL Program loans are not considered in the repayment calculation.

4. Statutory Pro Rata Information

This section establishes whether a pro rata refund is required for "first-time" students, and gathers the data to be used in the calculation.

The 60 percent point of the enrollment period is:

1. For credit-hour programs, when 60 percent (in calendar time) of the enrollment period has elapsed; or
2. For clock-hour programs, when the student has completed 60 percent of the clock hours scheduled for the enrollment period.

A student's excused absences may be included in the number of clock hours completed if the school:

1. Permits excused absences under its written policy; and
2. Has documentation of the student's excused absences.

The pro rata refund calculation is based on the portion of the enrollment period that remains after the student's withdrawal date. The "portion that remains" is calculated as follows:

1. For credit-hour programs:

$$\frac{\text{Number of weeks remaining in the enrollment period}}{\text{Total weeks in the enrollment period}}$$

2. For clock-hour programs:

$$\frac{\text{Number of scheduled clock hours remaining to be completed* in the enrollment period}}{\text{Total hours in the enrollment period}}$$

**Excused absences are counted as hours the student completed.*

3. For correspondence programs:

$$\frac{\text{Number of lessons not submitted by the student}}{\text{Total lessons in the enrollment period}}$$

The resulting fraction is converted to a percentage, and is rounded down to the nearest 10 percent.

The following institutional charges may be excluded from pro rata refund calculations:

1. The documented cost of unreturnable equipment (if specified in the enrollment agreement as unreturnable) issued to the student.

2. The documented cost of returnable equipment that the student failed to return within 20 days or did not return in good condition.

    a. The enrollment agreement must disclose any restrictions on the return of equipment; and

    b. The student must be notified in writing prior to enrollment that the equipment must be returned in good condition within 20 days of withdrawal.

3. A reasonable administrative fee (if charged up-front and applied across the board to all students) not to exceed the lesser of 5 percent of the student's institutional charges, or $100.

REFUND CALCULATIONS

All applicable refunds must be calculated and compared to determine which calculation provides the largest refund to the student.

Calculating a Non-Pro Rata Refund

To calculate any refund other than statutory pro rata:

1. Multiply total institutional charges by the percentage the school is entitled to retain (based on how long the student attended).
2. Subtract the unpaid charges.
3. This equals the amount of money paid to institutional charges that the school may keep.
4. All the rest must be refunded, and the school may bill the student for the unpaid charges.

If the student's unpaid charges are equal to or greater than the amount that the school may retain, all Title IV funds (except FWS) paid for institutional charges must be returned to ED.

Calculating the Pro Rata Refund

To calculate a pro rata refund:

1. Multiply total pro rata institutional charges by the "portion that remains."

2. Subtract any unpaid charges from the refund.

3. This gives you the amount that must be returned to ED.

EXAMPLE 1—

CORNWELL COLLEGE

- ✦ *Statutory pro rata refund based on student's first-time attendance at the school*
- ✦ *Non-pro rata refund based on state standards*

Cornwell College is a four-year school that operates on a semester system, and measures progress in credit hours. The school's academic calendar consists of two 15-week semesters. The school charges students by the semester.

Refund Policy

The College's state law:

If the student withdraws:	The school retains:
Before classes	0
First week	10%
Second week	25%
Third week	50%
Fourth week	75%
After fourth week	100%

Repayment Policy

Living expenses are prorated based on the number of weeks the student completes during the semester.

For students who begin classes, 50% of the books and supplies allowance is considered to be expended (taking into account the bookstore's return policy).

Student Information

Tom is a first-year undergraduate student attending the school for the first time. He enrolls full-time for the first semester which begins on August 28. Following school procedures, he officially withdraws on September 15, which is at the end of the third week of the first semester.

Cost for each term:

Tuition and fees	$2,000
Books and supplies allowance	$ 200
School's charges for room	$1,200
School's charges for board	$1,575
Transportation allowance	$ 100
Miscellaneous personal expense allowance	$ 250

Continued on next page

Aid awarded for the academic year:

FSEOG	$1,000
Cornwell College Scholarship	$2,100
Federal Pell Grant	$2,300
Subsidized Federal Stafford Loan (total amount approved)	$2,625
State Grant (which includes SSIG)	$1,500

The Federal Stafford Loan is scheduled to be disbursed in two equal installments of $1,260 (i.e., half of the total amount approved minus the origination fee and insurance premium). Since Tom is a first-time borrower, the first disbursement is not scheduled to be made until September 29. The second disbursement is scheduled to be made at the beginning of the second semester.

Tom's financial aid payments for the first semester were credited to his account in the following order:

FSEOG (on 8/28)	$ 500
Cornwell College Scholarship (on 8/28)	$1,050
Federal Pell Grant (on 8/28)	$1,150
State Grant (on 9/5)	$ 750

Tom paid for his books and supplies with money he saved from his summer job. Since Tom's financial aid for the semester was not expected to cover his school charges for tuition, fees, room and board ($4,775), he was required to make a cash payment of $65. Upon enrolling the first semester, Tom made a cash payment of $65.

Notes

Tom withdrew at the 20% point of the enrollment period (3 weeks divided by 15 weeks). Because he is attending the school for the first time and withdrew before the 60% point, the school must calculate a statutory pro rata refund in addition to a state refund, and must compare the two.

For pro rata purposes, the "portion that remains" is 80% (12 weeks divided by 15 weeks, rounded down to nearest 10%.)

The pro rata calculation results in a refund of $2,560, which is larger than would be required under the state's refund policy (i.e., 2,387). Thus, the school must use the statutory pro rata refund calculation result.

WITHDRAWAL RECORD

1. Student Information

Tom	8/28	9/15
Name	Start Date	Withdrawal Date/LDA
	15-week semester	9/15
Social Security Number	Length of Enrollment Period	Date of WD/LDA Determination

2. Program Costs

inst.	non-inst.			inst.	non-inst.		
☒	☐	Tuition/Fees	2,000	☐	☒	Personal/Living	250
☐	☐	Administrative Fee		☐	☐	Dependent Care	
☒	☐	Room & Board	2,775	☐	☐	Disability Costs	
☐	☒	Books & Supplies	200	☐	☐	Miscellaneous	
☐	☒	Transportation	100	☐	☐	Miscellaneous	

USE TOTALS FOR PERIOD CHARGED*

TOTAL Inst. Costs: 4,775 Ⓐ

TOTAL Noninst. Costs: 550 Ⓑ

3. Payments/Disbursements

(Exclude work-study awards.)

DATE	SOURCE	Paid to Inst. Costs	Cash to Student	DATE	SOURCE	Paid to Inst. Costs	Cash to Student
8/28	FSEOG	500					
8/28	Cornwell Schp.	1,050					
8/28	Federal Pell Grant	1,150					
9/5	State Grant	750					
8/28	Student cash	65					

TOTAL Aid Paid To Inst. Costs: 3,450 Ⓒ

TOTAL Paid To Inst. Costs: 3,515 Ⓓ

TOTAL Aid Paid as Cash: 0 Ⓔ

***USE TOTALS AS CHARGED FOR THE ENROLLMENT PERIOD** (For term credit-hour programs, use totals for the term; for all clock-hour programs and for nonterm credit-hour programs, use totals for the program length or for the academic year. If you charge by different periods for different charges, convert all totals to represent the longest period.)

4. Statutory Pro Rata Information

IS THIS STUDENT A FIRST-TIME STUDENT? A first-time student is one who has not previously attended at least one class at this school, or has received a 100 percent refund (less any permitted administrative fee) for previous attendance. (A first-time student remains so until he or she withdraws after attending at least one class at the school or completes the period of enrollment.) ☒ YES ☐ NO

DID THIS STUDENT WITHDRAW ON OR BEFORE THE 60% POINT? For credit-hour programs, the 60% point is the point in calendar time when 60% of the enrollment period has elapsed. For clock-hour programs, it is the point when this particular student completes 60% of the hours scheduled for the enrollment period. ☒ YES ☐ NO

IF THE ANSWER TO BOTH QUESTIONS IS "YES," a statutory pro rata refund calculation is required for this student. For this calculation, you must determine the Portion That Remains (of the enrollment period) and the institutional costs that may be excluded, if any.

THE RESULTING PERCENTAGE MUST BE ROUNDED DOWN TO THE NEAREST 10%

TO DETERMINE THE PORTION THAT REMAINS

- For credit-hour programs: WEEKS REMAINING / TOTAL WEEKS IN PERIOD = 12 / 15
- For clock-hour programs:* HOURS REMAINING / TOTAL HOURS IN PERIOD = ...
- For correspondence programs: LESSONS NOT SUBMITTED / TOTAL LESSONS IN PERIOD = ...

*DO NOT use scheduled hours. Also, excused absences count as "hours completed."

TO DETERMINE EXCLUDABLE INSTITUTIONAL COSTS:

- Administrative Fee (up to $100 or 5%, whichever is less; must be an across-the-board actual charge, publicized up-front) .... +
- Documented Cost of Unreturnable Equipment .... +
- Documented Cost of Returnable Equipment (if not returned in good condition within 20 days of withdrawal) .... +

TOTAL EXCLUDABLE INST. COSTS (for pro rata only): =

4,775 Ⓐ Total Institutional Costs — 0 Total Excludable Inst. Costs = Pro Rata Institutional Costs: 4,775 Ⓐ1

REFUND CALCULATION WORKSHEET

STEP ONE

Unpaid Charges

*Scheduled SFA payments and FFEL late disbursements that have not yet been received, for which the student is still eligible in spite of having withdrawn, can be counted to reduce the student's scheduled cash payment. This includes late State aid disbursements as allowed under written State policy. (Scheduled payments from sources other than those above cannot be counted in this manner.)

	4,775	Total Institutional Costs (from Withdrawal Record)	Ⓐ
−	3,450	Total Aid Paid to Inst. Costs* (also from Withdrawal Record)	Ⓒ
=	1,325	**Scheduled Cash Payment (SCP)** (attribution not allowable)	
−	65	Student's Cash Paid (from Withdrawal Record)	
=	1,260	**UNPAID CHARGES**	

STEP TWO

Amount Retained

*This percentage is determined by the school's refund policy, according to State and/or accrediting agency guidelines. For first-time students who withdraw on or before the 60% point in the enrollment period (see Withdrawal Record for details), a pro rata refund must also be calculated. For every student receiving SFA funds, all possible refunds must be calculated and compared—the school must use the refund that is most beneficial to that particular student.

	4,775	Total Institutional Costs (from Withdrawal Record)	Ⓐ
X	50%	% Allowed to Retain* (from school's refund policy)	
=	2,388	**Initial Amount Retained By The School**	
−	1,260	UNPAID CHARGES (from Step One)	
=	1,128	**AMOUNT RETAINED**	

If this amount is zero or negative, all SFA paid to school charges must be returned (exc. FWS).

STEP THREE

Refund Amount

Generally, funds must be returned to the appropriate program account(s) within 30 days of the date of withdrawal, and to the lender within 60 days of the same.

	3,515	Total Paid to Institutional Costs (from Withdrawal Record)	Ⓓ
−	1,128	Amount Retained (from Step Two)	
=	2,387	**REFUND AMOUNT RETURNED TO SFA PROGRAMS**	

REFUND DISTRIBUTION—Prescribed by Law and Regulation

TOTAL REFUND

1. Federal SLS Loan
2. Unsubsidized Federal Stafford Loan
3. Subsidized Federal Stafford Loan
4. Federal PLUS Loan
5. Federal Direct Sub/Unsub Loan
6. Federal Direct PLUS Loan
7. Federal Perkins Loan
8. Federal Pell Grant
9. FSEOG
10. Other Title IV Aid programs
11. Other Federal sources of aid
12. Other state, private, or institutional aid
13. The student

PRO RATA REFUND CALCULATION WORKSHEET

STEP ONE

Unpaid Charges

*Scheduled SFA payments and FFEL late disbursements that have not yet been received, for which the student is still eligible in spite of having withdrawn, can be counted to reduce the student's scheduled cash payment. This includes late State aid disbursements as allowed under written State policy. (Scheduled payments from sources other than those above cannot be counted in this manner.)

	4,775	Total Institutional Costs (from Withdrawal Record)	Ⓐ
−	3,450	Total Aid Paid to Inst. Costs* (also from Withdrawal Record)	Ⓒ
=	1,325	**Student's Scheduled Cash Payment (SCP)**	
−	65	Student's Cash Paid (from Withdrawal Record)	
=	1,260	**UNPAID CHARGES**	

STEP TWO

Refund Amount

Generally, funds must be returned to the appropriate program account(s) within 30 days of the date of withdrawal, and to the lender within 60 days of the same

	4,775	Pro Rata Institutional Costs (from Withdrawal Record)	A1
X	80%	% to be Refunded (from the Portion That Remains)	
=	3,820	**Initial Refund Amount**	
−	1,260	Unpaid Charges (from Step One)	
=	2,560	**ACTUAL REFUND RETURNED TO SFA PROGRAMS**	

REFUND DISTRIBUTION—Prescribed by Law and Regulation

TOTAL REFUND	2,560		
1. Federal SLS Loan	0	8. Federal Pell Grant	1,150
2. Unsubsidized Federal Stafford Loan	0	9. FSEOG	500
3. Subsidized Federal Stafford Loan	0	10. Other Title IV Aid programs	750 *
4. Federal PLUS Loan	0	11. Other Federal sources of aid	0
5. Federal Direct Sub/Unsub Loan	0	12. Other state, private, or institutional aid	160 **
6. Federal Direct PLUS Loan	0	13. The student	0
7. Federal Perkins Loan	0		

* State Grant
** Cornwell Scholarship

EXAMPLE 1: CORNWELL COLLEGE

Withdrawal Record

Student Information: Since Cornwell College is a credit-hour school that charges its students by the semester, the 15-week semester is the enrollment period.

Program Costs: Total institutional charges include only charges for tuition and fees, and room and board. All remaining costs are noninstitutional costs.

Payments and Disbursements: Only the cash payment and the aid received for the enrollment period are recorded. There was no cash disbursement.

The loan is not included. As a first-time borrower in the first year of an undergraduate program, Tom may not receive the loan until 30 days after class begins. Because he withdrew before that point, the loan may not be disbursed.

Statutory Pro Rata Information: The percentage of the semester completed is 20 percent (3 weeks completed ÷ 15 weeks in the semester). Because Tom is a first-time student who withdrew before the 60 percent point of the enrollment period, a statutory pro rata refund must be calculated.

The portion of the semester that remains is 80 percent (12 weeks remaining ÷15 weeks in the semester, rounded down to the nearest 10 percent).

None of the institutional charges may be excluded from the pro rata refund calculation.

Non-Pro Rata Refund Calculation Worksheet

Step One: The unpaid charges are calculated by first determining the amount of the scheduled cash payment, and deducting from that amount the cash paid by the student.

Step Two: The initial amount of institutional charges that may be retained is calculated using the withdrawal date and the state refund policy. Then, the unpaid charges are deducted to obtain the total amount that may be retained.

Step Three: The refund amount is equal to the total amount of cash and student aid payments made for institutional charges minus the total amount the school may retain.

Pro Rata Refund Calculation Worksheet

Step One: The amount of unpaid charges is calculated in the same manner as for the non-pro rata refund calculation.

Step Two: The pro rata institutional charges for the enrollment period are multiplied by the "portion that remains." Unpaid charges are subtracted from that result.

The pro rata calculation provides a larger refund than the state refund calculation.

EXAMPLE 2—
LYNLEY INSTITUTE

- ✦ *Pro rata refund based on student's first-time attendance at the school*
- ✦ *Non-pro rata refund based on accrediting agency standards*

Lynley Institute offers nonterm, clock-hour programs of varying lengths. A 1,200-clock-hour program takes 40 weeks to complete, and is divided into three payment periods: 450 clock hours, 450 clock hours, and 300 clock hours. The Institute charges tuition and fees for the entire program at the time of enrollment. The Institute charges all students a $75 administrative fee. The administrative fee is identified and explained in the student's enrollment agreement.

Refund Policy

The Institute's accrediting agency's standards:

If the student withdraws after completing:	The school retains:
Less than 10%	10%
10-19%	25%
20-29%	35%
30-39%	50%
40-49%	75%
50% or more	100%

Repayment Policy

Living expenses are prorated based on the number of weeks the student is enrolled. For students who begin classes, 50% of the books and supplies allowance is considered to be expended (taking into account the bookstore's return policy).

Student Information

George enrolls on July 3 in a 1,200-clock-hour program. He officially withdraws on August 11 after attending five weeks of classes (completing 150 clock hours).

Cost for the Program:

Administrative fee	$ 75
Tuition and fees	$1,500
Books and supplies allowance	$ 200
School's allowance for off-campus living expenses	$5,000

Aid awarded for the Program:

Federal Pell Grant	$2,300
State Grant (which includes SSIG)	$1,500
Federal Direct Subsidized Loan (total amount approved)	$2,625

Continued on next page

The Federal Direct Subsidized Loan was awarded for the entire program. The loan is scheduled to be disbursed in three equal installments of $840 (i.e., one-third of the total amount approved minus the origination fee and insurance premium) at the beginning of each payment period.

George's financial aid covered the amount of his charges for the program. Only his aid for the first payment period was credited to his account:

Federal Direct Subsidized Loan installment (on 8/11)	$840
State Grant (which includes SSIG) (on 8/11)	$500
Federal Pell Grant (on 8/11)	$767

The $840 Federal Direct Subsidized Loan, the $500 State Grant, and $235 of the Federal Pell Grant were used to pay school charges ($1,575). The school disbursed the $532 remaining Pell in cash for George's living expenses.

Notes

George withdrew at the 13% point in time of the program (5 weeks ÷ 40 weeks = 12.5%, rounded up to 13%).

According to the accrediting agency's refund policy, the school can retain 25% of its institutional charges. However, since George withdrew before the 60% point of the enrollment period and was attending the school for the first time, the school must also perform the statutory pro rata calculation and compare the two refunds.

For pro rata purposes, the portion that remains is 80% (1,050 clock hours ÷ 1,200 clock hours = 87.5, rounded down to the nearest 10% which is 80%).

The accrediting agency's refund policy results in a $1,181 refund, which is smaller than would be required under the pro rata refund calculation. Thus, the school must use the pro rata refund calculation result.

WITHDRAWAL RECORD

1. Student Information

George	7/3	8/11 – official
Name	Start Date	Withdrawal Date/LDA
	1,200 clock hours/ 40 weeks	8/11
Social Security Number	Length of Enrollment Period	Date of WD/LDA Determination

2. Program Costs

inst.	non-inst.			inst.	non-inst.		
☒		Tuition/Fees	1,500			Personal/Living	
☒		Administrative Fee	75			Dependent Care	
	☒	Room & Board	5,000			Disability Costs	
	☒	Books & Supplies	200			Miscellaneous	
		Transportation				Miscellaneous	

USE TOTALS FOR PERIOD CHARGED*

TOTAL Inst. Costs: 1,575 Ⓐ

TOTAL Noninst. Costs: 5,200 Ⓑ

3. Payments/Disbursements

(Exclude work-study awards.)

DATE	SOURCE	Paid to Inst. Costs	Cash to Student	DATE	SOURCE	Paid to Inst. Costs	Cash to Student
8/11	Federal Direct Stafford	840					
8/11	State Grant	500					
8/11	Federal Pell Grant	235	532				

TOTAL Aid Paid To Inst. Costs: 1,575 Ⓒ

TOTAL Paid To Inst. Costs: 1,575 Ⓓ

TOTAL Aid Paid as Cash: 532 Ⓔ

***USE TOTALS AS CHARGED FOR THE ENROLLMENT PERIOD** (For term credit-hour programs, use totals for the term; for all clock-hour programs and for nonterm credit-hour programs, use totals for the program length or for the academic year. If you charge by different periods for different charges, convert all totals to represent the longest period.)

4. Statutory Pro Rata Information

IS THIS STUDENT A FIRST-TIME STUDENT? A first-time student is one who has not previously attended at least one class at this school, or has received a 100 percent refund (less any permitted administrative fee) for previous attendance. (A first-time student remains so until he or she withdraws after attending at least one class at the school or completes the period of enrollment.) ☒ YES ☐ NO

DID THIS STUDENT WITHDRAW ON OR BEFORE THE 60% POINT? For credit-hour programs, the 60% point is the point in calendar time when 60% of the enrollment period has elapsed. For clock-hour programs, it is the point when this particular student completes 60% of the hours scheduled for the enrollment period. ☒ YES ☐ NO

IF THE ANSWER TO BOTH QUESTIONS IS "YES," a statutory pro rata refund calculation is required for this student. For this calculation, you must determine the Portion That Remains (of the enrollment period) and the institutional costs that may be excluded, if any.

THE RESULTING PERCENTAGE MUST BE ROUNDED DOWN TO THE NEAREST 10%

TO DETERMINE THE PORTION THAT REMAINS

- For credit-hour programs: $\frac{\text{WEEKS REMAINING}}{\text{TOTAL WEEKS IN PERIOD}} = \ldots$
- For clock-hour programs:* $\frac{\text{HOURS REMAINING}}{\text{TOTAL HOURS IN PERIOD}} = \frac{1{,}050}{1{,}200}$
- For correspondence programs: $\frac{\text{LESSONS NOT SUBMITTED}}{\text{TOTAL LESSONS IN PERIOD}} = \ldots$

*DO NOT use scheduled hours. Also, excused absences count as "hours completed."

TO DETERMINE EXCLUDABLE INSTITUTIONAL COSTS:

•Administrative Fee (up to $100 or 5%, whichever is less; must be an across-the-board actual charge, publicized up-front)	+	75
•Documented Cost of Unreturnable Equipment	+	0
•Documented Cost of Returnable Equipment (if not returned in good condition within 20 days of withdrawal)	+	
TOTAL EXCLUDABLE INST. COSTS (for pro rata only):	=	75

1,575 Ⓐ	—	75	=	1,500 A1
Total Institutional Costs		Total Excludable Inst. Costs		Pro Rata Institutional Costs:

REFUND CALCULATION WORKSHEET

STEP ONE

Unpaid Charges

*Scheduled SFA payments and FFEL late disbursements that have not yet been received, for which the student is still eligible in spite of having withdrawn, can be counted to reduce the student's scheduled cash payment. This includes late State aid disbursements as allowed under written State policy. (Scheduled payments from sources other than those above cannot be counted in this manner.)

	1,575	Total Institutional Costs (from Withdrawal Record)	Ⓐ
−	1,575	Total Aid Paid to Inst. Costs* (also from Withdrawal Record)	Ⓒ
=	0	**Scheduled Cash Payment (SCP)** (attribution not allowable)	
−	0	Student's Cash Paid (from Withdrawal Record)	
=	0	**UNPAID CHARGES**	

STEP TWO

Amount Retained

*This percentage is determined by the school's refund policy, according to State and/or accrediting agency guidelines. For first-time students who withdraw on or before the 60% point in the enrollment period (see Withdrawal Record for details), a pro rata refund must also be calculated. For every student receiving SFA funds, all possible refunds must be calculated and compared—the school must use the refund that is most beneficial to that particular student.

	1,575	Total Institutional Costs (from Withdrawal Record)	Ⓐ
X	25%	% Allowed to Retain* (from school's refund policy)	
=	394	**Initial Amount Retained By The School**	
−	0	UNPAID CHARGES (from Step One)	
=	394	**AMOUNT RETAINED**	

If this amount is zero or negative, all SFA paid to school charges must be returned (exc. FWS).

STEP THREE

Refund Amount

Generally, funds must be returned to the appropriate program account(s) within 30 days of the date of withdrawal, and to the lender within 60 days of the same.

	1,575	Total Paid to Institutional Costs (from Withdrawal Record)	Ⓓ
−	394	Amount Retained (from Step Two)	
=	1,181	**REFUND AMOUNT RETURNED TO SFA PROGRAMS**	

REFUND DISTRIBUTION—Prescribed by Law and Regulation

TOTAL REFUND

1. Federal SLS Loan
2. Unsubsidized Federal Stafford Loan
3. Subsidized Federal Stafford Loan
4. Federal PLUS Loan
5. Federal Direct Sub/Unsub Loan
6. Federal Direct PLUS Loan
7. Federal Perkins Loan
8. Federal Pell Grant
9. FSEOG
10. Other Title IV Aid programs
11. Other Federal sources of aid
12. Other state, private, or institutional aid
13. The student

PRO RATA REFUND CALCULATION WORKSHEET

STEP ONE

Unpaid Charges

*Scheduled SFA payments and FFEL late disbursements that have not yet been received, for which the student is still eligible in spite of having withdrawn, can be counted to reduce the student's scheduled cash payment. This includes late State aid disbursements as allowed under written State policy. (Scheduled payments from sources other than those above cannot be counted in this manner.)

	1,575	Total Institutional Costs (from Withdrawal Record)	Ⓐ
−	1,575	Total Aid Paid to Inst. Costs* (also from Withdrawal Record)	Ⓒ
=	0	**Student's Scheduled Cash Payment (SCP)**	
−	0	Student's Cash Paid (from Withdrawal Record)	
=	0	**UNPAID CHARGES**	

STEP TWO

Refund Amount

Generally, funds must be returned to the appropriate program account(s) within 30 days of the date of withdrawal, and to the lender within 60 days of the same.

	1,500	Pro Rata Institutional Costs (from Withdrawal Record)	(A1)
X	80%	% to be Refunded (from the Portion That Remains)	
=	1,200	**Initial Refund Amount**	
−	0	Unpaid Charges (from Step One)	
=	1,200	**ACTUAL REFUND RETURNED TO SFA PROGRAMS**	

REFUND DISTRIBUTION—Prescribed by Law and Regulation

TOTAL REFUND	1,200		
1. Federal SLS Loan	0	8. Federal Pell Grant	360
2. Unsubsidized Federal Stafford Loan	0	9. FSEOG	0
3. Subsidized Federal Stafford Loan	0	10. Other Title IV Aid programs	0
4. Federal PLUS Loan	0	11. Other Federal sources of aid	0
5. Federal Direct Sub/Unsub Loan	840 *	12. Other state, private, or institutional aid	0
6. Federal Direct PLUS Loan	0	13. The student	0
7. Federal Perkins Loan	0		

* can return gross amount

EXAMPLE 2: LYNLEY INSTITUTE

Withdrawal Record

Student Information: Since Lynley Institute charges its students for the entire program at the time of enrollment, the 1,200-clock-hour, 40-week program is the enrollment period.

Program Costs: Total institutional charges include tuition and the administrative fee. Total noninstitutional costs consist of the school's allowances for off-campus living expenses and for books and supplies.

Payments and Disbursements: All aid that was disbursed is recorded. The remaining $532 of the Federal Pell Grant payment was disbursed in cash.

Statutory Pro Rata Information: The percentage of the enrollment period completed is 13 percent (150 clock hours completed ÷ 1,200 clock hours in the enrollment period, rounded up). Since this is before the 60 percent point in time of the enrollment period, a statutory pro rata refund must be calculated.

The portion of the enrollment period that remains is 80 percent (1,050 remaining clock hours ÷ the 1,200 clock hours in the program, rounded down to the nearest 10 percent).

The entire $75 administrative fee may be excluded from the pro rata refund calculation because it:

1. Is charged up front to all students; and

2. Does not exceed $100 or 5 percent of the institutional charges.

Accrediting Agency Refund Calculation Worksheet

Step One: Because all of the institutional charges were paid by financial aid received, there are no unpaid charges.

Step Two: The initial amount of institutional charges that may be retained is calculated using the withdrawal date and the accrediting agency refund policy. Since there are no unpaid charges, the entire amount calculated under the accrediting agency refund policy may be retained.

Step Three: The refund amount is equal to the total amount of aid paid to institutional charges minus the total amount the school may retain.

Pro Rata Refund Calculation Worksheet

Step One: There are no unpaid charges.

Step Two: The pro rata institutional charges are multiplied by the "portion that remains."

Because the pro rata refund is larger than the accrediting agency refund, the school must use the pro rata refund calculation result.

CALCULATING THE REPAYMENT

Repayment requirements are identical for all students. The repayment is equal to the total cash disbursed (excluding any FWS, Direct Loan, or Federal Family Education Loan) minus the total noninstitutional costs incurred.

Step One: The total amount of noninstitutional costs incurred for the enrollment period is calculated using the school's written repayment policy.

Step Two: The entire cash disbursement is used in the repayment calculation.

Step Three: Because the amount of noninstitutional costs exceeded the amount received as a cash disbursement, no repayment is required.

REPAYMENT CALCULATION WORKSHEET

STEP ONE
Living Expenses Incurred

Because schools' repayment policies differ, this step can be calculated two ways: the total noninstitutional costs ("B" from Withdrawal Record) may be retained at a flat percentage, or the itemized costs (listed on Withdrawal Record) may be retained at differing rates and then totalled.

	NONINST. COSTS (from Withdrawal Record)		EXPENSES ACTUALLY INCURRED (from school's repayment policy)		
Room & Board	5,000	x	.13	=	650
Books & Supplies	200	x	.50	=	100
Transportation		x			
Personal/Living/Misc.		x			
TOTAL COSTS Ⓑ		=			750 **TOTAL INCURRED**

STEP TWO
Cash Paid to Student

*FFEL funds are excluded from repayment—the student is already obligated to repay these funds to the lender.

	532	Total Aid Paid as Cash (from Withdrawal Record) Ⓔ
−	0	Cash Paid from FFEL Funds*
=	532	**TOTAL CASH DISBURSED**

STEP THREE
Repayment Amount

Funds must be returned to the appropriate program account(s) within 30 days of the student's repayment to the school.

	532	Total Cash Paid to Student (from Step Two)
−	750	Total Costs Incurred (from Step One)
=	0	**REPAYMENT AMOUNT RETURNED TO SFA PROGRAMS**

If this amount is zero or negative, the student owes no repayment.

REPAYMENT DISTRIBUTION—Prescribed by Regulation

TOTAL REPAYMENT

1. Federal Perkins Loan
2. Federal Pell Grant
3. FSEOG
4. Other Title IV Aid programs
5. Other Federal sources of aid
6. Other state, private, or institutional aid

ALLOCATING REFUNDS AND REPAYMENTS

Any refund calculated must be returned first to the Title IV programs. The amount of refund returned to a Title IV program may not exceed the amount that the student received from that program for the enrollment period.

The refund must be allocated in the following order:

1. Unsubsidized Federal Stafford Loan Program;
2. Subsidized Federal Stafford Loan Program;
3. Federal PLUS Loan Program;
4. Direct Subsidized/Unsubsidized Loan Program;

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5. Direct PLUS Loan Program;
6. Federal Perkins Loan Program;
7. Federal Pell Grant Program;
8. Federal Supplemental Educational Opportunity Grant (FSEOG) Program; and
9. Any other Title IV program.

Loan amounts returned may include any applicable origination and insurance fees.

If there is any remaining money after returning all Title IV funds received for the enrollment period, the remaining funds are allocated in the following order to:

1. Other federal, state, private, or institutional student financial assistance programs; and
2. The student.

The repayment must be allocated in the following order:

1. Federal Perkins Loan Program;
2. Federal Pell Grant Program;
3. Federal Supplemental Educational Opportunity Grant (FSEOG) Program;
4. Any other non-loan Title IV program; and
5. Other state, private, or institutional student financial assistance programs.

The amount of repayment returned to a Title IV program may not exceed the amount received from that program for the enrollment period.

Deadlines for Returning Title IV Funds to FFEL Lenders and Program Accounts

The refund allocated to the FFEL Program must be returned to the FFEL lender according to program rules within 60 days of the earliest of:

1. The date the student notifies the school of his or her withdrawal or the withdrawal date specified by the student, whichever is later;

2. The date the school determines that the student has withdrawn;

3. The last day of the term (i.e., semester, trimester, or quarter) in which the student withdrew; or

4. The end of the enrollment period for which the loan was made.

For the Federal Perkins Loan, Federal Pell Grant, FSEOG, and Direct Loan programs, the refund must be returned to the program account within 30 days of the date:

1. The student officially withdrew, was expelled, or was granted a leave of absence; or

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2. The school determines that the student has dropped out.

If a refund is due the student the regulations specify when the student must be paid the refund. The school must pay the student within:

1. Thirty days of the student's withdrawal, if the student officially withdraws;

2. Thirty days of the earliest of the following dates, if the student drops out:

    a. The date on which the school determines the student dropped out;

    b. The expiration of the term; or

    c. The expiration of the enrollment period; or

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3. Thirty days after the student's last recorded date of attendance, if the student takes an approved leave of absence.

If the repayment amount is less than $100, no repayment is owed. The repayment of a Federal Perkins Loan, Federal Pell Grant, or FSEOG must be returned to the appropriate program account within 30 days of the date the student makes the payment.

Although the school is not liable for a repayment owed by the student (except in cases of school error), the school is responsible for:

1. Notifying and billing the student for the amount due; and

2. Collecting the repayment.

Until the overpayment is resolved:

1. The student is ineligible for further Title IV assistance; and

2. The overpayment owed must be reported on any financial aid transcript completed for the student.

An FSEOG or Federal Pell Grant overpayment that the school is unable to collect can be referred to ED for collection. The school must follow the format specified on page 66 of *The Verification Guide, 1994-95.*

CASE STUDIES

The following case studies require application of the Title IV refund and repayment rules.

1. The first case study demonstrates the requirements for a clock-hour program, and involves calculating the pro rata refund and the refund under state policy.

2. The second case study demonstrates the requirements at a term-based, credit-hour school when the school must calculate the student's refund under its own refund policy and under the Student Assistance General Provisions Appendix A refund standards.

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CASE STUDY 1—
BRAEBURN COLLEGE

- *Pro rata refund based on student's first-time attendance at the school*
- *Refund under state policy*

Braeburn College offers nonterm, clock-hour programs of varying lengths. A 900-clock-hour program takes 30 weeks to complete, and is divided into two 450-clock-hour payment periods. The College charges tuition and fees for the entire program at the time of enrollment. All students are charged a $50 administrative fee, which is identified and explained in the student's enrollment agreement.

Refund Policy

The College's refund policy is based on the requirements of state law:

If the student withdraws after completing:	The school retains:
Less than 10%	10%
10-19%	20%
20-29%	30%
30-39%	50%
40-49%	75%
50% or more	100%

Repayment Policy

Living expenses are prorated based on the number of weeks the student is enrolled.

For students who begin classes, 50% of the books and supplies allowance is considered to be expended (taking into account the bookstore's return policy).

Student Information

Ann enrolls on October 2 in a 900-clock-hour program and is attending the school for the first time. (She is not a first-time borrower.) She withdraws from the program on November 21 after attending nine weeks of classes (completing 270 clock hours).

Cost for the Program:

Administrative fee	$ 50
Tuition and fees	$3,000
Books and supplies allowance	$ 100
School's allowance for a dependent student living with parents	$1,500

Continued on next page

Aid awarded for the Program:

Federal Pell Grant	$1,500
Subsidized Federal Stafford Loan (total amount approved)	$2,000
FSEOG	$ 500

Aid disbursed for the Payment Period:

The Federal Stafford Loan was awarded for the entire program. The loan is scheduled to be disbursed in two equal installments of $960 (i.e., half of the total amount approved minus the origination fee and insurance premium) at the beginning of each payment period.

Ann's financial aid was expected to cover her institutional charges. Only her aid for the first payment period was credited to her account:

Federal Pell Grant (on 10/9)	$ 750
Federal Stafford Loan installment (on 10/9)	$ 960
FSEOG (on 10/9)	$ 250

WITHDRAWAL RECORD

1. Student Information

Name | Start Date | Withdrawal Date/LDA

Social Security Number | Length of Enrollment Period | Date of WD/LDA Determination

2. Program Costs

inst.	non-inst.		inst.	non-inst.	
		Tuition/Fees			Personal/Living
		Administrative Fee			Dependent Care
		Room & Board			Disability Costs
		Books & Supplies			Miscellaneous
		Transportation			Miscellaneous

USE TOTALS FOR PERIOD CHARGED*

TOTAL Inst. Costs: ☐ Ⓐ

TOTAL Noninst. Costs: ☐ Ⓑ

3. Payments/Disbursements

(Exclude work-study awards.)

DATE	SOURCE	Paid to Inst. Costs	Cash to Student	DATE	SOURCE	Paid to Inst. Costs	Cash to Student

TOTAL Aid Paid To Inst. Costs: ☐ Ⓒ

TOTAL Paid To Inst. Costs: ☐ Ⓓ

TOTAL Aid Paid as Cash: ☐ Ⓔ

***USE TOTALS AS CHARGED FOR THE ENROLLMENT PERIOD** (For term credit-hour programs, use totals for the term; for all clock-hour programs and for nonterm credit-hour programs, use totals for the program length or for the academic year. If you charge by different periods for different charges, convert all totals to represent the longest period.)

4. Statutory Pro Rata Information

IS THIS STUDENT A FIRST-TIME STUDENT? **A first-time student is one who has not previously attended at least one class at this school, or has received a 100 percent refund (less any permitted administrative fee) for previous attendance. (A first-time student remains so until he or she withdraws after attending at least one class at the school or completes the period of enrollment.)** ☐ **YES** ☐ **NO**

DID THIS STUDENT WITHDRAW ON OR BEFORE THE 60% POINT? **For credit-hour programs, the 60% point is the point in calendar time when 60% of the enrollment period has elapsed. For clock-hour programs, it is the point when this particular student completes 60% of the hours scheduled for the enrollment period.** ☐ **YES** ☐ **NO**

IF THE ANSWER TO BOTH QUESTIONS IS "YES," **a statutory pro rata refund calculation is required for this student. For this calculation, you must determine the Portion That Remains (of the enrollment period) and the institutional costs that may be excluded, if any.**

THE RESULTING PERCENTAGE MUST BE ROUNDED DOWN TO THE NEAREST 10%

TO DETERMINE THE PORTION THAT REMAINS

- For credit-hour programs:

$$\frac{\text{WEEKS REMAINING}}{\text{TOTAL WEEKS IN PERIOD}} = \dots\dots$$

- For clock-hour programs:*

$$\frac{\text{HOURS REMAINING}}{\text{TOTAL HOURS IN PERIOD}} = \dots\dots$$

- For correspondence programs:

$$\frac{\text{LESSONS NOT SUBMITTED}}{\text{TOTAL LESSONS IN PERIOD}} = \dots\dots$$

*DO NOT use *scheduled* hours. Also, excused absences count as "hours completed."

TO DETERMINE EXCLUDABLE INSTITUTIONAL COSTS:

- Administrative Fee (up to $100 or 5%, whichever is less; must be an across-the-board actual charge, publicized up-front) .... + ...
- Documented Cost of Unreturnable Equipment .... + ...
- Documented Cost of Returnable Equipment (if not returned in good condition within 20 days of withdrawal) +

TOTAL EXCLUDABLE INST. COSTS (for pro rata only): =

.... Ⓐ − .... = ☐ A1

Total Institutional Costs | Total Excludable Inst. Costs | Pro Rata Institutional Costs:

PRO RATA REFUND CALCULATION WORKSHEET

STEP ONE

Unpaid Charges

*Scheduled SFA payments and FFEL late disbursements that have not yet been received, for which the student is still eligible in spite of having withdrawn, can be counted to reduce the student's scheduled cash payment. This includes late State aid disbursements as allowed under written State policy. (Scheduled payments from sources other than those above cannot be counted in this manner.)

.... Total Institutional Costs (from Withdrawal Record) Ⓐ
− ________________ Total Aid Paid to Inst. Costs* (also from Withdrawal Record) Ⓒ
= .... **Student's Scheduled Cash Payment (SCP)**
− ________________ Student's Cash Paid (from Withdrawal Record)
= **UNPAID CHARGES**

STEP TWO

Refund Amount

Generally, funds must be returned to the appropriate program account(s) within 30 days of the date of withdrawal, and to the lender within 60 days of the same.

.... Pro Rata Institutional Costs (from Withdrawal Record) (A1)
X ________________ % to be Refunded (from the Portion That Remains)
= .... **Initial Refund Amount**
− ________________ Unpaid Charges (from Step One)
= **ACTUAL REFUND RETURNED TO SFA PROGRAMS**

REFUND DISTRIBUTION—Prescribed by Law and Regulation

TOTAL REFUND

1. Federal SLS Loan ....
2. Unsubsidized Federal Stafford Loan ....
3. Subsidized Federal Stafford Loan ....
4. Federal PLUS Loan ....
5. Federal Direct Sub/Unsub Loan ....
6. Federal Direct PLUS Loan ....
7. Federal Perkins Loan ....
8. Federal Pell Grant ....
9. FSEOG ....
10. Other Title IV Aid programs ....
11. Other Federal sources of aid ....
12. Other state, private, or institutional aid ....
13. The student ....

REFUND CALCULATION WORKSHEET

STEP ONE

Unpaid Charges

*Scheduled SFA payments and FFEL late disbursements that have not yet been received, for which the student is still eligible in spite of having withdrawn, can be counted to reduce the student's scheduled cash payment. This includes late State aid disbursements as allowed under written State policy. (Scheduled payments from sources other than those above cannot be counted in this manner.)

	Total Institutional Costs (from Withdrawal Record)	Ⓐ
−	Total Aid Paid to Inst. Costs* (also from Withdrawal Record)	Ⓒ
=	**Scheduled Cash Payment (SCP)** (attribution not allowable)	
−	Student's Cash Paid (from Withdrawal Record)	
=	**UNPAID CHARGES**	

STEP TWO

Amount Retained

*This percentage is determined by the school's refund policy, according to State and/or accrediting agency guidelines. For first-time students who withdraw on or before the 60% point in the enrollment period (see Withdrawal Record for details), a pro rata refund must also be calculated. For every student receiving SFA funds, all possible refunds must be calculated and compared—the school must use the refund that is most beneficial to that particular student.

	Total Institutional Costs (from Withdrawal Record)	Ⓐ
X	% Allowed to Retain* (from school's refund policy)	
=	**Initial Amount Retained By The School**	
−	UNPAID CHARGES (from Step One)	
=	**AMOUNT RETAINED**	

If this amount is zero or negative, all SFA paid to school charges must be returned (exc. FWS).

STEP THREE

Refund Amount

Generally, funds must be returned to the appropriate program account(s) within 30 days of the date of withdrawal, and to the lender within 60 days of the same.

	Total Paid to Institutional Costs (from Withdrawal Record)	Ⓓ
−	Amount Retained (from Step Two)	
=	**REFUND AMOUNT RETURNED TO SFA PROGRAMS**	

REFUND DISTRIBUTION—Prescribed by Law and Regulation

TOTAL REFUND

1. Federal SLS Loan
2. Unsubsidized Federal Stafford Loan
3. Subsidized Federal Stafford Loan
4. Federal PLUS Loan
5. Federal Direct Sub/Unsub Loan
6. Federal Direct PLUS Loan
7. Federal Perkins Loan
8. Federal Pell Grant
9. FSEOG
10. Other Title IV Aid programs
11. Other Federal sources of aid
12. Other state, private, or institutional aid
13. The student

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CASE STUDY 2—
CARSTON COLLEGE

- *No state or accrediting agency refund standards exist*
- *Student is not attending the school for the first time*

Carston College is a four-year school that operates on a semester system and measures progress in credit hours. The school's academic year consists of two 15-week semesters.

Refund Policy

The College uses the refund policy reviewed and approved by its governing board:

If the student withdraws:	The school retains:
Before classes	0
First week	10%
Second week	25%
Third week	45%
Fourth week	80%
After fourth week	100%

Repayment Policy

Living expenses are prorated based on the number of weeks the student completes during the semester. For students who begin classes, 50% of the books and supplies allowance is considered to be expended (taking into account the bookstore's return policy).

Student Information

Carol is attending her second year at the school. She enrolls full-time on September 11 for the first semester. Following school procedures, she officially withdraws on October 9 at the end of the fourth week of the first semester.

Cost for each term:

Tuition and fees	$2,500
Books and supplies allowance	$ 400
School's allowance for off-campus living expenses	$2,600

Aid awarded for the academic year:

Carston Scholarship	$1,600
Federal Pell Grant	$1,000
Federal Stafford Loan (total amount approved)	$3,500
State Grant (which does not include SSIG)	$1,500
FSEOG	$ 800

Continued on next page

The Federal Stafford Loan is scheduled to be disbursed in two equal installments of $1,680 (i.e., half of the total amount approved minus the origination fee and insurance premium) at the beginning of each semester.

Carol's financial aid payments for the first semester were credited to her account in the following order:

State Grant (on 9/11)	$ 750
Carston Scholarship (on 9/11)	$ 800
Federal Stafford Loan installment (on 9/11)	$1,680
FSEOG (on 9/11)	$ 400
Federal Pell Grant (on 9/15)	$ 500

Since Carol's financial aid for the semester covered her charges for tuition and fees ($2,500), she was not required to make a cash payment. The $500 Federal Pell Grant was disbursed in cash, as was $1,130 of her loan. Carol paid for her books and supplies with the monies she received as a cash disbursement.

WITHDRAWAL RECORD

1. Student Information

Name	Start Date	Withdrawal Date/LDA
Social Security Number	Length of Enrollment Period	Date of WD/LDA Determination

2. Program Costs

inst.	non-inst.		inst.	non-inst.	
		Tuition/Fees			Personal/Living
		Administrative Fee			Dependent Care
		Room & Board			Disability Costs
		Books & Supplies			Miscellaneous
		Transportation			Miscellaneous

USE TOTALS FOR PERIOD CHARGED*

TOTAL Inst. Costs: Ⓐ

TOTAL Noninst. Costs: Ⓑ

3. Payments/Disbursements

(Exclude work-study awards.)

DATE	SOURCE	Paid to Inst. Costs	Cash to Student	DATE	SOURCE	Paid to Inst. Costs	Cash to Student

TOTAL Aid Paid To Inst. Costs: Ⓒ

TOTAL Paid To Inst. Costs: Ⓓ

TOTAL Aid Paid as Cash: Ⓔ

***USE TOTALS AS CHARGED FOR THE ENROLLMENT PERIOD** (For term credit-hour programs, use totals for the term; for all clock-hour programs and for nonterm credit-hour programs, use totals for the program length or for the academic year. If you charge by different periods for different charges, convert all totals to represent the longest period.)

4. Statutory Pro Rata Information

IS THIS STUDENT A FIRST-TIME STUDENT? A first-time student is one who has not previously attended at least one class at this school, or has received a 100 percent refund (less any permitted administrative fee) for previous attendance. (A first-time student remains so until he or she withdraws after attending at least one class at the school or completes the period of enrollment.) ☐ YES ☐ NO

DID THIS STUDENT WITHDRAW ON OR BEFORE THE 60% POINT? For credit-hour programs, the 60% point is the point in calendar time when 60% of the enrollment period has elapsed. For clock-hour programs, it is the point when this particular student completes 60% of the hours scheduled for the enrollment period. ☐ YES ☐ NO

IF THE ANSWER TO BOTH QUESTIONS IS "YES," a statutory pro rata refund calculation is required for this student. For this calculation, you must determine the Portion That Remains (of the enrollment period) and the institutional costs that may be excluded, if any.

THE RESULTING PERCENTAGE MUST BE ROUNDED DOWN TO THE NEAREST 10%

TO DETERMINE THE PORTION THAT REMAINS

- For credit-hour programs:

  $\frac{\text{WEEKS REMAINING}}{\text{TOTAL WEEKS IN PERIOD}} =$ ....

- For clock-hour programs:*

  $\frac{\text{HOURS REMAINING}}{\text{TOTAL HOURS IN PERIOD}} =$ ....

- For correspondence programs:

  $\frac{\text{LESSONS NOT SUBMITTED}}{\text{TOTAL LESSONS IN PERIOD}} =$ ....

*DO NOT use scheduled hours. Also, excused absences count as "hours completed."

TO DETERMINE EXCLUDABLE INSTITUTIONAL COSTS:

- Administrative Fee (up to \$100 or 5%, whichever is less; must be an across-the-board actual charge, publicized up-front) .... + ...
- Documented Cost of Unreturnable Equipment + ...
- Documented Cost of Returnable Equipment (if not returned in good condition within 20 days of withdrawal) +

TOTAL EXCLUDABLE INST. COSTS (for pro rata only): =

.... Ⓐ − .... = Pro Rata Institutional Costs: A1

Total Institutional Costs − Total Excludable Inst. Costs

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REFUND CALCULATION WORKSHEET

STEP ONE

Unpaid Charges

*Scheduled SFA payments and FFEL late disbursements that have not yet been received, for which the student is still eligible in spite of having withdrawn, can be counted to reduce the student's scheduled cash payment. This includes late State aid disbursements as allowed under written State policy. (Scheduled payments from sources other than those above cannot be counted in this manner.)

Total Institutional Costs (from Withdrawal Record) Ⓐ
− Total Aid Paid to Inst. Costs* (also from Withdrawal Record) Ⓒ
= **Scheduled Cash Payment (SCP)** (attribution not allowable)
− Student's Cash Paid (from Withdrawal Record)
= **UNPAID CHARGES**

STEP TWO

Amount Retained

*This percentage is determined by the school's refund policy, according to State and/or accrediting agency guidelines. For first-time students who withdraw on or before the 60% point in the enrollment period (see Withdrawal Record for details), a pro rata refund must also be calculated. For every student receiving SFA funds, all possible refunds must be calculated and compared—the school must use the refund that is most beneficial to that particular student.

Total Institutional Costs (from Withdrawal Record) Ⓐ
X % Allowed to Retain* (from school's refund policy)
= **Initial Amount Retained By The School**
− UNPAID CHARGES (from Step One)
= **AMOUNT RETAINED**

If this amount is zero or negative, all SFA paid to school charges must be returned (exc. FWS).

STEP THREE

Refund Amount

Generally, funds must be returned to the appropriate program account(s) within 30 days of the date of withdrawal, and to the lender within 60 days of the same.

Total Paid to Institutional Costs (from Withdrawal Record) Ⓓ
− Amount Retained (from Step Two)
= **REFUND AMOUNT RETURNED TO SFA PROGRAMS**

REFUND DISTRIBUTION—Prescribed by Law and Regulation

TOTAL REFUND

1. Federal SLS Loan
2. Unsubsidized Federal Stafford Loan
3. Subsidized Federal Stafford Loan
4. Federal PLUS Loan
5. Federal Direct Sub/Unsub Loan
6. Federal Direct PLUS Loan
7. Federal Perkins Loan
8. Federal Pell Grant
9. FSEOG
10. Other Title IV Aid programs
11. Other Federal sources of aid
12. Other state, private, or institutional aid
13. The student

REFUND CALCULATION WORKSHEET

STEP ONE

Unpaid Charges

*Scheduled SFA payments and FFEL late disbursements that have not yet been received, for which the student is still eligible in spite of having withdrawn, can be counted to reduce the student's scheduled cash payment. This includes late State aid disbursements as allowed under written State policy. (Scheduled payments from sources other than those above cannot be counted in this manner.)

	Total Institutional Costs (from Withdrawal Record)	Ⓐ
−	Total Aid Paid to Inst. Costs* (also from Withdrawal Record)	Ⓒ
=	**Scheduled Cash Payment (SCP)** (attribution not allowable)	
−	Student's Cash Paid (from Withdrawal Record)	
=	**UNPAID CHARGES**	

STEP TWO

Amount Retained

*This percentage is determined by the school's refund policy, according to State and/or accrediting agency guidelines. For first-time students who withdraw on or before the 60% point in the enrollment period (see Withdrawal Record for details), a pro rata refund must also be calculated. For every student receiving SFA funds, all possible refunds must be calculated and compared—the school must use the refund that is most beneficial to that particular student.

	Total Institutional Costs (from Withdrawal Record)	Ⓐ
X	% Allowed to Retain* (from school's refund policy)	
=	**Initial Amount Retained By The School**	
−	UNPAID CHARGES (from Step One)	
=	**AMOUNT RETAINED**	

If this amount is zero or negative, all SFA paid to school charges must be returned (exc. FWS).

STEP THREE

Refund Amount

Generally, funds must be returned to the appropriate program account(s) within 30 days of the date of withdrawal, and to the lender within 60 days of the same.

	Total Paid to Institutional Costs (from Withdrawal Record)	Ⓓ
−	Amount Retained (from Step Two)	
=	**REFUND AMOUNT RETURNED TO SFA PROGRAMS**	

REFUND DISTRIBUTION—Prescribed by Law and Regulation

TOTAL REFUND

1. **Federal SLS Loan**
2. Unsubsidized Federal Stafford Loan
3. Subsidized Federal Stafford Loan
4. Federal PLUS Loan
5. Federal Direct Sub/Unsub Loan
6. Federal Direct PLUS Loan
7. Federal Perkins Loan
8. Federal Pell Grant
9. FSEOG
10. Other Title IV Aid programs
11. Other Federal sources of aid
12. Other state, private, or institutional aid
13. The student

REPAYMENT CALCULATION WORKSHEET

STEP ONE

Living Expenses Incurred

Because schools' repayment policies differ, this step can be calculated two ways: the total noninstitutional costs ("B" from Withdrawal Record) may be retained at a flat percentage, or the itemized costs (listed on Withdrawal Record) may be retained at differing rates and then totalled.

	NONINST. COSTS (from Withdrawal Record)		EXPENSES ACTUALLY INCURRED (from school's repayment policy)
Room & Board		x	
Books & Supplies		x	
Transportation		x	
Personal/Living/Misc.		x	
TOTAL COSTS Ⓑ		=	**TOTAL INCURRED**

STEP TWO

Cash Paid to Student

*FFEL funds are excluded from repayment—the student is already obligated to repay these funds to the lender.

Total Aid Paid as Cash (from Withdrawal Record) Ⓔ

− Cash Paid from FFEL Funds*

= **TOTAL CASH DISBURSED**

STEP THREE

Repayment Amount

Funds must be returned to the appropriate program account(s) within 30 days of the student's repayment to the school.

Total Cash Paid to Student (from Step Two)

− Total Costs Incurred (from Step One)

= **REPAYMENT AMOUNT RETURNED TO SFA PROGRAMS**

If this amount is zero or negative, the student owes no repayment.

REPAYMENT DISTRIBUTION—Prescribed by Regulation

TOTAL REPAYMENT

1. Federal Perkins Loan
2. Federal Pell Grant
3. FSEOG
4. Other Title IV Aid programs
5. Other Federal sources of aid
6. Other state, private, or institutional aid

CASE STUDY 1 SOLUTION—

BRAEBURN COLLEGE

Notes

- Ann withdrew at the 30% point in time of the program (9 weeks ÷ 30 weeks).
- Since only the first payment period's aid had been disbursed at the time of Ann's withdrawal, Ann has unpaid charges of $1,090.
- The state policy refund calculation results in a refund of $1,525, which is larger than would be required under the pro rata refund calculation (i.e., $1,010). Thus, the school must use the state policy refund calculation result.
- No repayment calculation is required since Ann did not receive a cash disbursement for noninstitutional costs.

WITHDRAWAL RECORD

1. Student Information

Ann	10/2	11/21
Name	Start Date	Withdrawal Date/LDA
	900 clock hours; 40 weeks	11/21
Social Security Number	Length of Enrollment Period	Date of WD/LDA Determination

2. Program Costs

inst.	non-inst.			inst.	non-inst.	
☒		Tuition/Fees	3,000			Personal/Living
☒		Administrative Fee	50			Dependent Care
	☒	Room & Board	1,500			Disability Costs
	☒	Books & Supplies	100			Miscellaneous
		Transportation				Miscellaneous

USE TOTALS FOR PERIOD CHARGED*

TOTAL Inst. Costs: 3,050 Ⓐ

TOTAL Noninst. Costs: 1,600 Ⓑ

3. Payments/Disbursements

(Exclude work-study awards.)

DATE	SOURCE	Paid to Inst. Costs	Cash to Student	DATE	SOURCE	Paid to Inst. Costs	Cash to Student
10/9	Federal Pell Grant	750					
10/9	Federal Stafford Loan	960					
10/9	FSEOG	250					

TOTAL Aid Paid To Inst. Costs: 1,960 Ⓒ

TOTAL Paid To Inst. Costs: 1,960 Ⓓ

TOTAL Aid Paid as Cash: [illegible] Ⓔ

***USE TOTALS AS CHARGED FOR THE ENROLLMENT PERIOD** (For term credit-hour programs, use totals for the term; for all clock-hour programs and for nonterm credit-hour programs, use totals for the program length or for the academic year. If you charge by different periods for different charges, convert all totals to represent the longest period.)

4. Statutory Pro Rata Information

IS THIS STUDENT A FIRST-TIME STUDENT? A first-time student is one who has not previously attended at least one class at this school, or has received a 100 percent refund (less any permitted administrative fee) for previous attendance. (A first-time student remains so until he or she withdraws after attending at least one class at the school or completes the period of enrollment.) ☒ YES ☐ NO

DID THIS STUDENT WITHDRAW ON OR BEFORE THE 60% POINT? For credit-hour programs, the 60% point is the point in calendar time when 60% of the enrollment period has elapsed. For clock-hour programs, it is the point when this particular student completes 60% of the hours scheduled for the enrollment period. ☒ YES ☐ NO

IF THE ANSWER TO BOTH QUESTIONS IS "YES," a statutory pro rata refund calculation is required for this student. For this calculation, you must determine the Portion That Remains (of the enrollment period) and the institutional costs that may be excluded, if any.

THE RESULTING PERCENTAGE MUST BE ROUNDED DOWN TO THE NEAREST 10%

TO DETERMINE THE PORTION THAT REMAINS

- For credit-hour programs: $\frac{\text{WEEKS REMAINING}}{\text{TOTAL WEEKS IN PERIOD}} =$ ....
- For clock-hour programs:* $\frac{\text{HOURS REMAINING}}{\text{TOTAL HOURS IN PERIOD}} = \frac{630}{900}$
- For correspondence programs: $\frac{\text{LESSONS NOT SUBMITTED}}{\text{TOTAL LESSONS IN PERIOD}} =$ ....

*DO NOT use scheduled hours. Also, excused absences count as "hours completed."

TO DETERMINE EXCLUDABLE INSTITUTIONAL COSTS:

•Administrative Fee (up to $100 or 5%, whichever is less; must be an across-the-board actual charge, publicized up-front)	+	50
•Documented Cost of Unreturnable Equipment	+	0
•Documented Cost of Returnable Equipment (if not returned in good condition within 20 days of withdrawal)	+	0
TOTAL EXCLUDABLE INST. COSTS (for pro rata only):	=	50

3,050 Ⓐ — 50 = Pro Rata Institutional Costs: 3,000 (A1)

Total Institutional Costs — Total Excludable Inst. Costs

United States Department of Education
Student Financial Assistance Programs

PRO RATA REFUND CALCULATION WORKSHEET

STEP ONE

Unpaid Charges

*Scheduled SFA payments and FFEL late disbursements that have not yet been received, for which the student is still eligible in spite of having withdrawn, can be counted to reduce the student's scheduled cash payment. This includes late State aid disbursements as allowed under written State policy. (Scheduled payments from sources other than those above cannot be counted in this manner.)

	3,050	Total Institutional Costs (from Withdrawal Record)	Ⓐ
−	1,960	Total Aid Paid to Inst. Costs* (also from Withdrawal Record)	Ⓒ
=	1,090	**Student's Scheduled Cash Payment (SCP)**	
−	0	Student's Cash Paid (from Withdrawal Record)	
=	1,090	**UNPAID CHARGES**	

STEP TWO

Refund Amount

Generally, funds must be returned to the appropriate program account(s) within 30 days of the date of withdrawal, and to the lender within 60 days of the same.

	3,000	Pro Rata Institutional Costs (from Withdrawal Record)	A1
X	70%	% to be Refunded (from the Portion That Remains)	
=	2,100	**Initial Refund Amount**	
−	1,090	Unpaid Charges (from Step One)	
=	1,010	**ACTUAL REFUND RETURNED TO SFA PROGRAMS**	

REFUND DISTRIBUTION—Prescribed by Law and Regulation

TOTAL REFUND

1. Federal SLS Loan
2. Unsubsidized Federal Stafford Loan
3. Subsidized Federal Stafford Loan
4. Federal PLUS Loan
5. Federal Direct Sub/Unsub Loan
6. Federal Direct PLUS Loan
7. Federal Perkins Loan
8. Federal Pell Grant
9. FSEOG
10. Other Title IV Aid programs
11. Other Federal sources of aid
12. Other state, private, or institutional aid
13. The student

REFUND CALCULATION WORKSHEET

STEP ONE

Unpaid Charges

*Scheduled SFA payments and FFEL late disbursements that have not yet been received, for which the student is still eligible in spite of having withdrawn, can be counted to reduce the student's scheduled cash payment. This includes late State aid disbursements as allowed under written State policy. (Scheduled payments from sources other than those above cannot be counted in this manner.)

	3,050	Total Institutional Costs (from Withdrawal Record)	Ⓐ
−	1,960	Total Aid Paid to Inst. Costs* (also from Withdrawal Record)	Ⓒ
=	1,090	**Scheduled Cash Payment (SCP)** (attribution not allowable)	
−	0	Student's Cash Paid (from Withdrawal Record)	
=	1,090	**UNPAID CHARGES**	

STEP TWO

Amount Retained

*This percentage is determined by the school's refund policy, according to State and/or accrediting agency guidelines. For first-time students who withdraw on or before the 60% point in the enrollment period (see Withdrawal Record for details), a pro rata refund must also be calculated. For every student receiving SFA funds, all possible refunds must be calculated and compared—the school must use the refund that is most beneficial to that particular student.

	3,050	Total Institutional Costs (from Withdrawal Record)	Ⓐ
X	50%	% Allowed to Retain* (from school's refund policy)	
=	1,525	**Initial Amount Retained By The School**	
−	1,090	UNPAID CHARGES (from Step One)	
=	435	**AMOUNT RETAINED**	

If this amount is zero or negative, all SFA paid to school charges must be returned (exc. FWS).

STEP THREE

Refund Amount

Generally, funds must be returned to the appropriate program account(s) within 30 days of the date of withdrawal, and to the lender within 60 days of the same.

	1,960	Total Paid to institutional Costs (from Withdrawal Record)	Ⓓ
−	435	Amount Retained (from Step Two)	
=	1,525	**REFUND AMOUNT RETURNED TO SFA PROGRAMS**	

REFUND DISTRIBUTION—Prescribed by Law and Regulation

TOTAL REFUND	1,525		
1. Federal SLS Loan	0	8. Federal Pell Grant	565
2. Unsubsidized Federal Stafford Loan	0	9. FSEOG	0
3. Subsidized Federal Stafford Loan	960	10. Other Title IV Aid programs	0
4. Federal PLUS Loan	0	11. Other Federal sources of aid	0
5. Federal Direct Sub/Unsub Loan	0	12. Other state, private, or institutional aid	0
6. Federal Direct PLUS Loan	0	13. The student	0
7. Federal Perkins Loan	0		

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CASE STUDY 2 SOLUTION—

CARSTON COLLEGE

Notes

- Carol withdrew at the 27% point in the enrollment period (4 weeks ÷ 15 weeks).

- Because pro rata doesn't apply, and state and accrediting agency refund standards do not exist, the school must calculate Carol's refund according to the school's refund policy and according to Appendix A standards.

  According to the school's refund policy, if the student withdraws after the fourth week of classes the school is entitled to keep 80% of the charges. According to Appendix A refund standards, if a student withdraws between the end of the first 25% in time and the first 50% in time of the enrollment period, the school may retain 75% of the institutional charges.

  The Appendix A calculation results in a refund of $625 which is larger than would be required under the school's refund standards ($500). Thus, the school must use the Appendix A refund calculation result.

- Since Carol's Federal Pell Grant was given to her as a cash disbursement, the school must determine if a repayment is due. Carol's Federal Stafford Loan is excluded from the repayment calculation.

WITHDRAWAL RECORD

1. Student Information

Carol	9/11	10/9
Name	Start Date	Withdrawal Date/LDA
	15-week semester	10/9
Social Security Number	Length of Enrollment Period	Date of WD/LDA Determination

2. Program Costs

inst.	non-inst.			inst.	non-inst.		
☒		Tuition/Fees	2,500			Personal/Living	
		Administrative Fee	0			Dependent Care	
	☒	Room & Board	2,600			Disability Costs	
	☒	Books & Supplies	400			Miscellaneous	
		Transportation				Miscellaneous	

USE TOTALS FOR PERIOD CHARGED*

TOTAL Inst. Costs: 2,500 Ⓐ

TOTAL Noninst. Costs: 3,000 Ⓑ

TOTAL Aid Paid To Inst. Costs: 2,500 Ⓒ

TOTAL Paid To Inst. Costs: 2,500 Ⓓ

TOTAL Aid Paid as Cash: 1,630 Ⓔ

3. Payments/Disbursements

(Exclude work-study awards.)

DATE	SOURCE	Paid to Inst. Costs	Cash to Student	DATE	SOURCE	Paid to Inst. Costs	Cash to Student
9/11	State Grant	750					
9/11	Car ton Schp.	800					
9/11	FSEOG	400					
9/11	Federal Stafford	550	1130				
9/15	Federal Pell Grant		500				

***USE TOTALS AS CHARGED FOR THE ENROLLMENT PERIOD** (For term credit-hour programs, use totals for the term; for all clock-hour programs and for nonterm credit-hour programs, use totals for the program length or for the academic year. If you charge by different periods for different charges, convert all totals to represent the longest period.)

4. Statutory Pro Rata Information

IS THIS STUDENT A FIRST-TIME STUDENT? A first-time student is one who has not previously attended at least one class at this school, or has received a 100 percent refund (less any permitted administrative fee) for previous attendance. (A first-time student remains so until he or she withdraws after attending at least one class at the school or completes the period of enrollment.) ☐ YES ☒ NO

DID THIS STUDENT WITHDRAW ON OR BEFORE THE 60% POINT? For credit-hour programs, the 60% point is the point in calendar time when 60% of the enrollment period has elapsed. For clock-hour programs, it is the point when this particular student completes 60% of the hours scheduled for the enrollment period. ☒ YES ☐ NO

IF THE ANSWER TO BOTH QUESTIONS IS "YES," a statutory pro rata refund calculation is required for this student. For this calculation, you must determine the Portion That Remains (of the enrollment period) and the institutional costs that may be excluded, if any.

THE RESULTING PERCENTAGE MUST BE ROUNDED DOWN TO THE NEAREST 10%

TO DETERMINE THE PORTION THAT REMAINS

- For credit-hour programs:
  $\frac{\text{WEEKS REMAINING}}{\text{TOTAL WEEKS IN PERIOD}}$ = ...
- For clock-hour programs:*
  $\frac{\text{HOURS REMAINING}}{\text{TOTAL HOURS IN PERIOD}}$ = ...
- For correspondence programs:
  $\frac{\text{LESSONS NOT SUBMITTED}}{\text{TOTAL LESSONS IN PERIOD}}$ = ...

*DO NOT use scheduled hours. Also, excused absences count as "hours completed."

TO DETERMINE EXCLUDABLE INSTITUTIONAL COSTS:

- Administrative Fee (up to $100 or 5%, whichever is less; must be an across-the-board actual charge, publicized up-front) .... +
- Documented Cost of Unreturnable Equipment .... +
- Documented Cost of Returnable Equipment (if not returned in good condition within 20 days of withdrawal) .... +

TOTAL EXCLUDABLE INST. COSTS (for pro rata only): =

.... Ⓐ − .... = Pro Rata Institutional Costs: Ⓐ1

Total Institutional Costs − Total Excludable Inst. Costs

United States Department of Education
Student Financial Assistance Programs

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School Refund Policy Solution

REFUND CALCULATION WORKSHEET

STEP ONE

Unpaid Charges

*Scheduled SFA payments and FFEL late disbursements that have not yet been received, for which the student is still eligible in spite of having withdrawn, can be counted to reduce the student's scheduled cash payment. This includes late State aid disbursements as allowed under written State policy. (Scheduled payments from sources other than those above cannot be counted in this manner.)

	2,500	Total Institutional Costs (from Withdrawal Record)	Ⓐ
−	2,500	Total Aid Paid to Inst. Costs* (also from Withdrawal Record)	Ⓒ
=	0	**Scheduled Cash Payment (SCP)** (attribution not allowable)	
−	0	Student's Cash Paid (from Withdrawal Record)	
=	0	**UNPAID CHARGES**	

STEP TWO

Amount Retained

*This percentage is determined by the school's refund policy, according to State and/or accrediting agency guidelines. For first-time students who withdraw on or before the 60% point in the enrollment period (see Withdrawal Record for details), a pro rata refund must also be calculated. For every student receiving SFA funds, all possible refunds must be calculated and compared—the school must use the refund that is most beneficial to that particular student.

	2,500	Total Institutional Costs (from Withdrawal Record)	Ⓐ
X	80%	% Allowed to Retain* (from school's refund policy)	
=	2,000	**Initial Amount Retained By The School**	
−	0	UNPAID CHARGES (from Step One)	
=	2,000	**AMOUNT RETAINED**	

If this amount is zero or negative, all SFA paid to school charges must be returned (exc. FWS).

STEP THREE

Refund Amount

Generally, funds must be returned to the appropriate program account(s) within 30 days of the date of withdrawal, and to the lender within 60 days of the same.

	2,500	Total Paid to Institutional Costs (from Withdrawal Record)	Ⓓ
−	2,000	Amount Retained (from Step Two)	
=	500	**REFUND AMOUNT RETURNED TO SFA PROGRAMS**	

REFUND DISTRIBUTION—Prescribed by Law and Regulation

TOTAL REFUND

1. Federal SLS Loan
2. Unsubsidized Federal Stafford Loan
3. Subsidized Federal Stafford Loan
4. Federal PLUS Loan
5. Federal Direct Sub/Unsub Loan
6. Federal Direct PLUS Loan
7. Federal Perkins Loan
8. Federal Pell Grant
9. FSEOG
10. Other Title IV Aid programs
11. Other Federal sources of aid
12. Other state, private, or institutional aid
13. The student

Appendix A Calculation Solution

REFUND CALCULATION WORKSHEET

STEP ONE

Unpaid Charges

*Scheduled SFA payments and FFEL late disbursements that have not yet been received, for which the student is still eligible in spite of having withdrawn, can be counted to reduce the student's scheduled cash payment. This includes late State aid disbursements as allowed under written State policy. (Scheduled payments from sources other than those above cannot be counted in this manner.)

	2,500	Total Institutional Costs (from Withdrawal Record)	Ⓐ
−	2,500	Total Aid Paid to Inst. Costs* (also from Withdrawal Record)	Ⓒ
=	0	**Scheduled Cash Payment (SCP)** (attribution not allowable)	
−	0	Student's Cash Paid (from Withdrawal Record)	
=	0	**UNPAID CHARGES**	

STEP TWO

Amount Retained

*This percentage is determined by the school's refund policy, according to State and/or accrediting agency guidelines. For first-time students who withdraw on or before the 60% point in the enrollment period (see Withdrawal Record for details), a pro rata refund must also be calculated. For every student receiving SFA funds, all possible refunds must be calculated and compared—the school must use the refund that is most beneficial to that particular student.

	2,500	Total Institutional Costs (from Withdrawal Record)	Ⓐ
X	75%	% Allowed to Retain* (from school's refund policy)	
=	1,875	**Initial Amount Retained By The School**	
−	0	UNPAID CHARGES (from Step One)	
=	1,875	**AMOUNT RETAINED**	

If this amount is zero or negative, all SFA paid to school charges must be returned (exc. FWS).

STEP THREE

Refund Amount

Generally, funds must be returned to the appropriate program account(s) within 30 days of the date of withdrawal, and to the lender within 60 days of the same.

	2,500	Total Paid to Institutional Costs (from Withdrawal Record)	Ⓓ
−	1,875	Amount Retained (from Step Two)	
=	625	**REFUND AMOUNT RETURNED TO SFA PROGRAMS**	

REFUND DISTRIBUTION—Prescribed by Law and Regulation

TOTAL REFUND	625		
1. Federal SLS Loan	0	8. Federal Pell Grant	0
2. Unsubsidized Federal Stafford Loan	0	9. FSEOG	0
3. Subsidized Federal Stafford Loan	625	10. Other Title IV Aid programs	0
4. Federal PLUS Loan	0	11. Other Federal sources of aid	0
5. Federal Direct Sub/Unsub Loan	0	12. Other state, private, or institutional aid	0
6. Federal Direct PLUS Loan	0	13. The student	0
7. Federal Perkins Loan	0		

REPAYMENT CALCULATION WORKSHEET

STEP ONE

Living Expenses Incurred

Because schools' repayment policies differ, this step can be calculated two ways: the total noninstitutional costs ("B" from Withdrawal Record) may be retained at a flat percentage, or the itemized costs (listed on Withdrawal Record) may be retained at differing rates and then totalled.

	NONINST. COSTS (from Withdrawal Record)		EXPENSES ACTUALLY INCURRED (from school's repayment policy)		
Room & Board	2,600	x	.27	=	702
Books & Supplies	400	x	50%	=	200
Transportation		x			
Personal/Living/Misc.		x			
TOTAL COSTS Ⓑ		=	902		**TOTAL INCURRED**

STEP TWO

Cash Paid to Student

*FFEL funds are excluded from repayment—the student is already obligated to repay these funds to the lender.

	1,630	Total Aid Paid as Cash (from Withdrawal Record) Ⓔ
−	1,130	Cash Paid from FFEL Funds*
=	500	**TOTAL CASH DISBURSED**

STEP THREE

Repayment Amount

Funds must be returned to the appropriate program account(s) within 30 days of the student's repayment to the school.

	500	Total Cash Paid to Student (from Step Two)
−	902	Total Costs Incurred (from Step One)
=	0	**REPAYMENT AMOUNT RETURNED TO SFA PROGRAMS**

If this amount is zero or negative, the student owes no repayment.

REPAYMENT DISTRIBUTION—Prescribed by Regulation

TOTAL REPAYMENT

1. Federal Perkins Loan
2. Federal Pell Grant
3. FSEOG
4. Other Title IV Aid programs
5. Other Federal sources of aid
6. Other state, private, or institutional aid

Refund/Repayment Changes for 1995-96

The final regulations published on November 29, 1994, made some changes to the refund and repayment requirements. These changes are discussed below, and are effective for withdrawals occurring on or after July 1, 1995.

•Leave of Absence

An approved leave of absence (LOA) is not a withdrawal, so no refund or repayment calculation is required. An LOA is *approved* if the student requested it in writing, it does not exceed 60 days, it does not involve additional school charges to the student, and there is not more than one approved LOA in any twelve-month period. Any LOA that does not fit the above criteria is considered a standard withdrawal. A refund and repayment must be calculated and paid as required by regulation (including applicable payment deadlines, etc.).

If a student does not return after an approved LOA, that student is then considered as having withdrawn. A refund and repayment must be calculated, using the student's last recorded date of attendance, prior to the beginning of the LOA, as the withdrawal date. Any required refund must be paid within 30 days of the expiration of the LOA.

•Appendix A

The former Appendix A refund requirement has been moved into the body of the refund regulations, in 668.22(d), and is now called the "Federal Refund Calculation." The percentage calculation has not changed, but the administrative requirements (such as the treatment of unreturnable equipment) have been changed to match the pro rata requirements discussed in 668.22(c). *Note: There is still a section of the regulations called Appendix A, but it is not the same thing. It contains flowcharts illustrating the current refund process.*

•Period of Enrollment

The minimum period of enrollment for which the student can be charged has been changed. It's still the same for credit-hour term schools—use the term (semester, trimester, quarter, or other). Effective July 1, 1995, this usage applies to *clock-hour* term schools as well. For *non-term* credit- or clock-hour programs, the minimum period of enrollment has also changed. If the program is less than an academic year, you must use the program length. If the program is equal to or longer than an academic year, you should use either the payment period or 1/2 the academic year, whichever is longer.

•Minimum Refund

If you can demonstrate that the refund would be less than $25, you don't have to pay—or even calculate—the refund as long as you have the student's written authorization in the enrollment agreement to retain the amount of the refund that would have been paid back to the student's Title IV loan balance. (You can *demonstrate* that the refund would be less than $25 without calculating the refund if, for instance, the institutional charges are so low that even a 100% refund would be less than $25. Also, the enrollment agreement must clearly explain that he or she is permitting the school to retain funds that would otherwise be used to reduce the student's loan balance.)

•Miscellaneous Changes

Clarification: Allowable late disbursements from the Federal Direct Student Loan Program must be counted to reduce the student's scheduled cash payment.

Clarification: Federal Direct Student Loan Program (Stafford and PLUS) loan amounts are excluded from the repayment calculation, just as other loan amounts have been.

Clarification: In the refund allocation order specified in the regulations, *unsubsidized* Direct Stafford Loans are now placed before *subsidized* Direct Stafford Loans, because that order of return benefits the student.

Clarification: In the case of students who unofficially withdraw, a school is expected to determine the "drop-out" in a timely manner, including the case of a student who fails to return from an approved leave of absence. (The *timely determination* requirement does not apply in the case of official withdrawals, expulsions, unapproved leaves of absence, or action taken by the school to remove a student from attendance.)

Clarification: The fair and equitable refund requirement also applies to any student whose parent receives a Direct PLUS Loan on behalf of that student. (Accordingly, the definition of *financial aid* has been modified to include Federal Direct PLUS Loans received on the student's behalf.)

Addition: The "new" Appendix A now contains flow charts illustrating the basic procedures for determining which refund policy to use and general guidance on how to calculate refunds.

SESSION #7

Federal Update

List of Attachments

- Signature Requirements for the 1995-96 Delivery System
- 1995-96 Verification Worksheets
- Proposed Forthcoming Changes to the 1996-97 Campus-Based Programs FISAP
- William D. Ford Federal Direct Loan Program Repayment Plan Choices

Signature Requirements
for the
1995-96 Delivery System

SIGNER	APPLICATION INFORMATION (Applications and Corrections)						ELIGIBILITY OUTPUT DOCUMENTS			OTHER CERTIFICATIONS		
	FAFSA or Renewal FAFSA [1]	Echo Document [3] for Electronic FAFSA or Electronic Renewal FAFSA	Part 2 of SAR [4]	Verification Worksheet	Verification Documentation under §668.57	Other Documentation	SAR (All Title IV)	ISIR (All Title IV)	MDE Output with CPS EFC (Title IV except Federal Pell Grants)	Educational Purpose	Default/ Repayment	Selective Service Registration
Student	Y	Y	Y	Y	Y	Y	N	N	N	Y	Y	Y[6]
One parent of dependent student	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N
Spouse	N	N	N	Y	Y[5]	N	N	N	N	N	N	N
FAA[2]	Y	Y	Y	N	N	N	N	N	N	N	N	N

[1] Paper FAFSA or Renewal FAFSA submitted to a FAFSA processor or to an institution for submission to the CPS through EDE

[2] Only if dependency override (application or Part 2 of SAR) and/or professional judgment (Part 2 of SAR); for echo document, requirement is met by setting of the electronic signature flag on EDE.

[3] Only if paper FAFSA or paper Renewal Application not used as input document

[4] Only if used to send corrections to processor by mail or if used as source document for electronic corrections

[5] Any documentation submitted in accordance with §668.57

[6] If required - see Chapter 2 section one of the Student Financial Aid Handbook

U.S. Department
of Education

1995-96 Verification Worksheet

Federal Student Aid Programs

FORM APPROVED
OMB NO. 1840-0132
EXP. DATE 12/31/96

DEPENDENT STUDENT

Your application was selected for review in a process called "Verification." In this process, your school will be comparing information from your application with signed copies of your (and your parents') 1994 tax forms, or with W-2 forms or other financial documents. The law says we have the right to ask you for this information before awarding Federal aid. If there are differences between your application information and your financial documents, you may need to send in corrections on your Student Aid Report (SAR) and have a new SAR processed.

Try to complete verification as soon as possible, so that your financial aid won't be delayed. Your financial aid administrator will help you.

What you should do

1. Collect your and your parents' financial documents (signed income tax forms, W-2 forms, etc.).
2. Talk to your financial aid administrator if you have questions about completing this worksheet.
3. Fill in and sign the worksheet—you and your parents.
4. Take the completed worksheet, tax forms, and any other documents your school needs to your financial aid administrator.
5. Your financial aid administrator will compare information on the documents. You may need to make corrections on your SAR and send it back to the application processor.

Your school must review the requested information, under the financial aid program rules (CFR Title 34, Part 668).

A. Student Information

Last name First name M.I.

Social security number

Address (include apt. no.)

Date of birth

City State ZIP code

Phone number (include area code)

B. Family Information

List the people that your parents will support between July 1, 1995 and June 30, 1996. Include:

- yourself
- your parents
- your parents' dependent children (if your parents provide more than half support, or if they would be required to give parental information when applying for Federal student aid.)

Include other people as part of your family only if:

- they lived with your parents and got more than half their support from your parents at the time you completed your student aid application

AND

- they will continue to get more than half their support from July 1, 1995 through June 30, 1996.

Write the names of all family members. Also write in the name of the college for any family member who will be attending college at least half-time between July 1, 1995 and June 30, 1996, and will be enrolled in a degree or certificate program. If you need more space, attach a separate page.

Full Name	Age	Relationship	College
Janet Jones	51	Mother	Central University

Public reporting burden for this collection of information is estimated to be 12 minutes per response, including time to review instructions, search existing data sources, gather and maintain the data needed, and complete and review the information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to U.S. Department of Education, Information Management and Compliance Division, Washington, D.C. 20202-4651; and to Office of Management and Budget, Paperwork Reduction Project (1840-0132), Washington, D.C. 20503

C. Student's Tax Forms and Income Information

1. For all tax filers and non-tax filers (includes the 1994 IRS Form 1040, 1040A, 1040EZ, a tax return from Puerto Rico or a foreign income tax return). If you did not keep a copy of the tax return, request one from the Internal Revenue Service or from your tax preparer.

☐ Check and attach signed tax return.
☐ Check and complete: signed tax return will be mailed to the school by ____________________(date).
☐ Check here if you will not file and are not required to file a 1994 U.S. Income Tax Return.

2. Income earned from work: Use the W-2 or other earnings statements.

Employers	Amount

3. Amounts received for child support and other untaxed income.

Sources	Amount

D. Parents' Tax Forms and Income Information

1. For all tax filers and non-tax filers (includes the 1994 IRS Form 1040, 1040A, 1040EZ, a tax return from Puerto Rico or a foreign income tax return). If your parent(s) did not keep a copy of the tax return, request one from the Internal Revenue Service or from the tax preparer.

☐ Check and attach signed tax return.
☐ Check and complete: signed tax return will be mailed to the school by ____________________(date).
☐ Check here if your parent(s) will not file and are not required to file a 1994 U.S. Income Tax Return.

2. Income earned from work: Use the W-2 or other earnings statements.

Employers	Amount

3. Amounts received for child support and other untaxed income.

Sources	Amount

E. Sign this Worksheet

By signing this worksheet, we certify that all the information reported to qualify for Federal student aid is complete and correct. (At least one parent must sign.)

WARNING: If you purposely give false or misleading information on this worksheet, you may be fined, be sentenced to jail, or both.

Student ____________________ Date

Father/Stepfather ____________________ Date

Mother/Stepmother ____________________ Date

Do not mail this worksheet to your application processor. Take it to your Financial Aid Administrator. Don't forget your tax forms.

U.S. Department
of Education

1995-96 Verification Worksheet

Federal Student Aid Programs

FORM APPROVED
OMB NO. 1840-0132
EXP. DATE 12/31/96

INDEPENDENT STUDENT

Your application was selected for review in a process called "Verification." In this process, your school will be comparing information from your application with signed copies of your (and your spouse's, if you are married) 1994 tax forms, or with W-2 forms or other financial documents. The law says we have the right to ask you for this information before awarding Federal aid. If there are differences between your application information and your financial documents, you may need to send in corrections on your Student Aid Report (SAR) and have a new SAR processed.

Try to complete verification as soon as possible, so that your financial aid won't be delayed. Your financial aid administrator will help you.

What you should do

1. Collect your (and your spouse's) financial documents (signed income tax forms, W-2 forms, etc.).
2. Talk to your financial aid administrator if you have questions about completing this worksheet.
3. Fill in and sign the worksheet—you (and your spouse).
4. Take the completed worksheet, tax forms, and any other documents your school needs to your financial aid administrator.
5. Your financial aid administrator will compare information on the documents. You may need to make corrections on your SAR and send it back to the application processor.

Your school must review the requested information, under the financial aid program rules (CFR Title 34, Part 668).

A. Student Information

Last name First name M.I.

Social security number

Address (include apt. no.)

Date of birth

City State ZIP code

Phone number (include area code)

B. Family Information

List the people that you (and your spouse) will support between July 1, 1995 and June 30, 1996. Include:

- yourself
- your spouse
- your dependent children (if you provide more than half of their support).

Include other people as part of your family only if:

- they lived with you and got more than half their support from you (or your spouse) at the time you completed your student aid application

AND

- they will continue to get more than half their support from you from July 1, 1995 through June 30, 1996.

Write the names of all family members. Also write in the name of the college for any family member who will be attending college at least half-time between July 1, 1995 and June 30, 1996, and will be enrolled in a degree or certificate program. If you need more space, attach a separate page.

Full Name	Age	Relationship	College
Martha Jones	24	Wife	City University

Public reporting burden for this collection of information is estimated to be 12 minutes per response, including time to review instructions, search existing data sources, gather and maintain the data needed, and complete and review the information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to U.S. Department of Education, Information Management and Compliance Division, Washington, D.C. 20202-4651; and to Office of Management and Budget, Paperwork Reduction Project (1840-0132), Washington, D.C. 20503.

C. Student's Tax Forms and Income Information

1. For all tax filers and non-tax filers (includes the 1994 IRS Form 1040, 1040A, 1040EZ, a tax return from Puerto Rico or a foreign income tax return). If you did not keep a copy of the tax return, request one from the Internal Revenue Service or from your tax preparer.

☐ Check and attach signed tax return.

☐ Check and complete: signed tax return will be mailed to the school by ____________________(date).

☐ Check here if you will not file and are not required to file a 1994 U.S. Income Tax Return.

2. Income earned from work: Use the W-2 or other earnings statements.

Employers	Amount

3. Amounts received for child support and other untaxed income.

Sources	Amount

(D. Spouse's Tax Forms and Income Information)

1. For all tax filers and non-tax filers (includes the 1994 IRS Form 1040, 1040A, 1040EZ, a tax return from Puerto Rico or a foreign income tax return). If your spouse did not keep a copy of the tax return, request one from the Internal Revenue Service or from the tax preparer.

☐ Check and attach signed tax return.

☐ Check and complete: signed tax return will be mailed to the school by ____________________(date).

☐ Check here if you will not file and are not required to file a 1994 U.S. Income Tax Return.

2. Income earned from work: Use the W-2 or other earnings statements.

Employers	Amount

3. Amounts received for child support and other untaxed income.

Sources	Amount

E. Sign this Worksheet

By signing this worksheet, I (we) certify that all the information reported to qualify for Federal student aid is complete and correct. (If married, spouse must sign.)

WARNING: If you purposely give false or misleading information on this worksheet, you may be fined, be sentenced to jail, or both.

____
Student Date

____
Spouse Date

Do not mail this worksheet to your application processor. Take it to your Financial Aid Administrator. Don't forget your tax forms.

PROPOSED FORTHCOMING CHANGES TO THE 1996-97 CAMPUS-BASED PROGRAMS FISAP (subject to OMB approval)

1. Part I, Section A, 1.b

   An additional line item 1.b has been added for institutions to list the mailing address of the school if it is different from their actual address.

   Part I, Section B

   Additional lines are provided for the FAX numbers of the Chief Executive Officer, Financial Aid Administrator, and Chief Fiscal Officer.

2. Part II, Section E, Columns D & E

   Last year's column D, undergraduate independent, has been divided into two columns to provide eligible aid applicant information for undergraduate independent students without a baccalaureate or first professional degree (new column D) and undergraduate independent students with a baccalaureate or first professional degree (new column E). These specifications are necessary to identify applicants who have received degrees and would not be eligible to participate in the FSEOG program. This change makes the independent undergraduate columns consistent with the dependent undergraduate columns.

3. Part III, Section A, Column a, line 1.2

   A new line 1.2 in column a has been added to provide the Department with more current data for institutional cash-on-hand and in depository. This line item will be completed only during the Electronic FISAP edit process in November. The updated cash-on-hand will be used in monitoring each institution's potential excess cash.

4. Part V, Section B, line 9

   A new line 9 has been added so that institutions may report any additional FWS 1994-95 funds carried back and spent for payments to students for wages earned after the end of the 1993-94 academic year, but prior to the beginning of the 1994-95 award year on July 1, 1994.

5. Part VI, Section A, Program Summary

   Last year's Column G (Federal Share of Column F (FWS funds)) has been eliminated.

   Part VI, Section A, line 11a

   The old line 11a (Undergraduate Dependent Less Than Full Time Students) has also been eliminated.

   NOTE:

   The term "branch campuses" has been replaced by the term "additional locations" and the term "eligibility letter" has been replaced by "approval letter" throughout the FISAP document.

William D. Ford Federal Direct Loan Program

Repayment Plan Choices

The William D. Ford Federal Direct Loan (Direct Loan) Program offers several repayment plans so you can choose the plan that is right for you. These plans are:

- Income Contingent Repayment/Pay-As-You-Can,
- Standard Repayment,
- Extended Repayment, and
- Graduated Repayment.

The plans vary in a number of ways to meet the different needs of individual borrowers. The following information describes these plans and provides suggestions on how to choose among them.

THE PLANS

Income Contingent Repayment

Minimum Monthly Payment:	Generally none (in certain circumstances, $15—see below)
Maximum Number of Monthly Payments:	300 months (25 years).

The Income Contingent Repayment Plan allows you to repay your loan as a percentage of your income. In general, the amount you repay depends on the amount you borrowed and begins at 4 percent of your income for loans of $1,000 or less. The percentage of income increases at the rate of 0.2 percent for each additional $1,000 borrowed, up to a maximum of 15 percent for loans of $56,000 or more. However, your monthly payment will never be more than 20 percent of your discretionary income. Discretionary income is your federal adjusted gross income minus the poverty level for your family size. If the monthly repayment is calculated to be less than $15.00, no payment is required.

Under this plan, you have the option of limiting the monthly repayment to the amount you would be required to pay if you repaid your loan over 12 years in equal monthly installments. Thus your maximum payment will never be more than you would pay under a level 12-year repayment plan. This ensures that as your income grows, your payments will be manageable. However, under this option, you are required to make a monthly payment of at least $15.00.

Your repayment amount is adjusted annually. Under this plan your monthly repayment amount will be more when your income is high and less when your income is low. If your income is so low that you are not required to make payments, or if your payments are small, you might not pay the interest as it accrues on your loan. The unpaid interest will be added to the principal balance of your loan once a year until the principal balance is ten percent higher than the original principal. After that interest will accrue but will not be added to the principal balance.

Under either option it's possible you won't make payments large enough to pay off your loan in 25 years. If this happens, after 25 years (excluding periods of deferment, forbearance, or time spent in repayment plans other than the Standard and 12-year Extended Repayment Plans) the unpaid amount of your loan will be discharged, and the amount discharged will be considered taxable income.

Federal Direct PLUS Loans and Federal Direct PLUS Consolidation Loans are not eligible for Income Contingent Repayment.

Standard Repayment

Minimum Monthly Payment:	$50.00
Maximum Number of Monthly Payments:	120 (10 years)

Under this plan you will make no more than 120 monthly payments, and for small loan amounts, the number of monthly payments can be less than 120. Each monthly payment will be at least $50.00, and may be more if necessary to repay the loan within 10 years (excluding periods of deferment or forbearance). The number of monthly payments will be adjusted to reflect changes in the variable interest rate. This means that as the rate varies, your monthly amount will remain the same unless you request that the repayment amount be changed.

Extended Repayment

Minimum Monthly Payment:	$50.00
Maximum Number of Monthly Payments:	See Table 1

Loan Amount		Maximum Number of Monthly Payments
At Least	Less Than	
$ 0	$10,000	144
$10,000	$20,000	180
$20,000	$40,000	240
$40,000	$60,000	300
$60,000		360

Table 1. Loan Amount and Maximum Number of Monthly Payments for the Extended and Graduated Repayment Plans.

Under this plan, the maximum number of months you will pay (excluding periods of deferment and forbearance) depends on your loan amount. Each monthly payment will be at least $50.00 and may be more if necessary to pay off your loan in the maximum number of repayment months. The number of monthly payments will be adjusted to reflect changes in the variable interest rate. This means that as the rate varies, your monthly amount will remain the same unless you request that the repayment amount be changed.

Graduated Repayment

Minimum Monthly Payment:	$25.00
Maximum Number of Monthly Payments:	See Table 1

Under the Graduated Repayment Plan, your payments are lower at first and will increase over a period of time that varies depending on the amount you borrowed. Your minimum monthly payment is the larger of 50 percent of the amount that would be required under the Standard Repayment Plan or the amount of interest that accrues monthly on the loan. The maximum number of months you will pay excludes periods of deferment and forbearance and depends on the loan amount (See Table 1). With this plan the monthly payment amount during the earlier portion of the repayment period is reduced. Later in the repayment period, the monthly payment amount will increase, but will never be more than 150% of the amount required by the Standard Plan. The monthly repayment amount is increased (graduated) every two years. The number of monthly payments will be adjusted to reflect changes in the variable interest rate. This means that as the rate varies, your monthly amount will remain the same unless you request that the repayment amount be changed.

CHOOSING YOUR REPAYMENT PLAN

In selecting your repayment plan, there are several factors you should understand before making your decision.

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Repayment Plan Choices *(continued)*

If you select the **Income Contingent Repayment Plan** your monthly repayment will vary with your income. When your income is low, you probably will have a longer repayment period than you would receive under one of the other repayment plans. As a result, you will repay a greater amount of interest over the repayment period but have an easier time keeping up with your monthly payments. If your income grows, your monthly repayment amount increases. This would reduce your repayment period and result in repaying a smaller total amount of interest over the repayment period. If your income is high and you choose to limit your monthly repayment to the amount you would be required to pay if you repaid your loan over 12 years in equal monthly installments, you are choosing to extend your repayment period, which results in more total interest repaid. However, this also helps to ensure that your payments will be manageable. In general, if you want to be sure that your monthly payment amount will be manageable given your income, you should select one of the Income Contingent Repayment Plan options.

If you select the **Standard Repayment Plan** you will have a shorter repayment term than under the other plans. This means you will pay off your loan more quickly, and the amount of interest you pay will be less than if you had selected the other plans. However, the Standard Repayment Plan requires higher monthly payment amounts. If you expect you will be able to pay a higher monthly amount, the Standard Repayment Plan may be best for you. If you believe the higher repayment amount would be difficult or you are unsure what your income will be, one of the other repayment plans may be best.

If you select the **Extended or Graduated Plan**, you will have a longer repayment term. As a result, you will have a lower monthly payment than under the Standard Plan (unless the minimum monthly payment applies), but you will repay more interest over the life of the loan. Under the Extended Plan your payments are fixed amounts and you will pay less interest than you would under the Graduated Plan.

If you'd like to know that your payment amount will not change throughout your repayment period, you should select either the Standard or the Extended Plan. On the other hand, if you expect that your income will increase as time passes, you may prefer to make smaller loan payments at first and larger payments later in your career. If so, you should select the Graduated Repayment Plan.

REMEMBER: You can prepay all or part of your student loan at any time without a prepayment penalty.

IF YOU DO NOT SELECT A PLAN, YOU WILL BE ASSIGNED THE STANDARD REPAYMENT PLAN. If you are having trouble deciding which repayment plan to choose, you can call the Direct Loan Servicing Center at 1-800-848-0979 for help. If none of these plans work for you, the Direct Loan Servicing Center will work with you to create a plan that meets your individual needs.

CHANGING REPAYMENT PLANS

You may experience significant changes in your life during your repayment period. You may change or lose jobs, get salary increases or promotions, or choose to work in a career that provides less income than you expected when you selected your repayment plan. If you want or need to change repayment plans to adjust to these changing circumstances, you can do so at any time (unless you are repaying a defaulted loan under the Income Contingent Repayment Plan). There is no limit to the number of times you may change plans. If you are repaying under the Income Contingent Repayment Plan, you can choose the 12-year payment limit or remove the limit on your monthly amount once per year.

If you want to change plans you can—

- change to the Income Contingent Repayment Plan at any time. If you do, your repayment term will be 25 years, less any time previously spent in the Income Contingent, Standard, and Extended (12-year period only) Repayment Plans. Time spent in the Extended Plan under the 15- to 30-year periods and the Graduated Repayment Plan does not count toward your 25 year maximum term.
- change to another plan as long as that plan has a repayment term greater than the amount of time you have been in repayment already. For example, you can change from the Extended Plan to the Standard Plan only if you have been in the Extended Plan less than 10 years. If you do make this type of change, your remaining repayment term will be determined by subtracting the amount of time you have already been in repayment from the term allowed for your new plan. For example, if you have been on the Extended Plan for three years and convert to the Standard Plan to pay off the loan more quickly and reduce your interest expense, you will have a maximum of seven years left to repay your loan.

If you are repaying a Federal Direct Consolidation Loan (Direct Consolidation Loan) that you agreed to repay under the Income Contingent Repayment Plan due to a previous defaulted loan, you must make six consecutive monthly payments before you can change to another plan.

LOAN CONSOLIDATION

If you have several student loans (including other federal education loans), it may be to your advantage to consolidate your loans into a single Direct Consolidation Loan. This may allow you to extend your repayment term, reduce your monthly payments, and deal with a single lender instead of several different lenders. If you are interested in a Direct Consolidation Loan, contact the Consolidations Department of the Direct Loan Servicing Center at 1-800-848-0982.

Examples of Typical Beginning Payments for Direct Loan Repayment Plans

	Monthly and Total Payments Under Different Repayment Plans									
	Standard		Graduated		Extended		Income Contingent[1] (Income = $25,000)			
							Formula Amount		Limited Amount	
Total Debt	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
$ 2,600	$ 50	$ 3,148	$ 25	$ 4,008	$ 50	$ 3,148	$ 90	$ 2,867	$ 27	$ 3,937
4,000	50	5,539	25	6,637	50	5,539	96	4,613	42	6,056
7,500	89	10,650	47	12,444	79	11,355	110	9,522	79	11,356
10,000	118	14,200	63	18,185	92	16,615	121	13,451	105	15,141
15,000	178	21,300	95	27,277	138	24,921	142	22,197	142	23,126

Note: Payments are calculated using the 1994-95 rate of 7.43%.

[1] Assumes a 5% annual income growth (Census Bureau).

[2] Under "Formula Amount", the borrower always pays the formula amount; i.e. payback rate times income.

[3] Under "Limited Amount", the borrower pays the lower of the Formula Amount or what the borrower would pay using a 12-year standard amortization.

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